

EINANCIAL TIMES

Shipbuilding

Around the world in 10 we

CONTINUES ON FREDAY IN a separate tabloid section

Brussels sets

out plans for

internet charter

The European Commission unveiled plans for an interna-tional communications charter as

part of its aim to establish global standards for business on the

co-operation between govern-ments on legal and technical issues affecting the internet, such

as data protection, copyright, tax-

ation and pornography. Page 18

Silver hits high on Buffett buy Silver prices reached a 9%-year

high of about \$7 an ounce on the

news that Warren Buffett, one of

America's most respected inves-

tors, had bought around 16 per

cent of annual consumption of

the metal. Page 18; Special report, Page 25; Editorial Com-ment, Page 28: See Lex

Yeltsin backs fiscal peckage:

In an effort to reassure interna-

tional investors, Russian presi-dent Boris Yeltsin has backed a tough fiscal plan. Page 2

Paris backs down on aid plan France's socialist-led government

approved a reform of the coun-

try's overseas aid policy. Page 2

Italian banks seek pay freeze
Italian banks are pressing for a
two-year wage freeze to boost the
competitiveness of the country's

banking system before the intro-

Industry cost of alcohol abuse Alcohol and drug abuse at work costs the world's industrialised

conomies billions of dollars a

firmed it had approved plans for a new Jewish settlement in Ras al-Amud, east Jerusalam, a deci-sion Palestinians said could "kill-

The growth rate in sales of pre-scription drugs in the US, the world's biggest market, slowed in the year to November, according

Argentina in \$2.8bn ilitir desi

The board of the International

Monetary Fund in Washington

was set to approve a three-year \$2.8bn extended fund facility for

lange regiones defence talks

China and Japan took a signifi-

more than eight years. Page 8

(\$12bn) for housing loans this

dential property market. Page 8

New future for mobile phones

Mobile phones are as likely to be used by 2000 for sending and

receiving electronic mail as for making telephone calls. Page 2

Library, Page 18

cant step towards improving rela-tions when they agreed to

year in lost output. Page 10

Israel's interior ministry con-

the peace process". Page 10

US drug growth slows

to new data. Page 4

Argentina. Page 6

New Israeli settlement

duction of the euro. Page 2

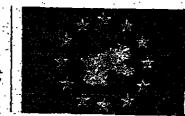
internet. It would encourage

new global

WORLD NEWS

Europe corners luxury liner market

Mastering Global Business



BUSINESS NEWS

US launches

export credit

Asian countries

international initiative to provide export credit finance to Asian

importing goods and components

The announcement by deputy treasury secretary Larry Sum-mers follows a proposal from Goh

Chok Tong, prime minister of Singapore, and an initiative by Australia. Page 6; Resping the

whirlwind, Page 17; End of the beginning, Page 19

Nestis, the Swiss foods group, returned to its acquisitive ways with a £715m (\$1.2bn) cash purchase of the Spillers perfood busi-

ness from Dalgety of the UK. The deal, subject to clearance, would give Nestlé 20 per cent of the European branded petfood mar-

ket. Page 19; Lex, Page 24

Bash, the Swedish carmaker,

announced more losses after costs on new models. The com-

eral Motors, saw pre-tax losses deepen from SKrl.18bn to SKrl.88bn (\$226m) last year.

KLM, the Dutch airline, is considering a buy-back of the

the end of last year. Page 20

an inquiry into possible price manifulation by index-linked funds, whose forays into the mar-ket have been credited with

boosting the bourse's Bel-20

share index. Page 25

Endoon, the Spanish power group, has targeted acquisitions in Brazil that will test its rela-

Brussels bourse has launched

government's 25 per cent stake. It

is keen to reduce a cash pile which reached Fl 2.8bn (\$1.4bn) at

Page 20

pany, 50 per cent owned by Gen-

scheme for

The US has launched an

countries facing difficulties

Emu surprise

Problems at the core. not at the periphery

Samuel Brittan, Page 16



Oil production

Tiny state hopes to copy Kuwait



Today's surveys

Winter Olympics Business of Travel

Separate section

World Business Newspaper http://www.FT.com

Russian leader warns of 'world war' if military force is used

White House plays down Yeltsin fears over action on Iraq

Roule Khalef in Washington

and John Kampfner in London The US yesterday sought to play down a startling outburst by Russian president Boris Yeltsin in which he warned that Washing-ton's threat to take military action against Iraq could lead to world war".

"We must try ... to make Clinton feel that, with his actions in Iraq, he can lead to a world war." Mr Yeltsin said during a televised meeting with one of his ministers in the Kremlin.

Mr Yeltsin's tough words on the issue of weapons inspections followed a resolution by the Russian parliament which urged Russia to break United Nations sanctions against Iraq if the US moved against Baghdad without UN approval.

But his inflammatory comments seemed at odds with his usual efforts to maintain warm ties with western leaders, includ-ing US president Bill Clinton. Kremlin officials made some

effort to backtrack yesterday, saying some US journalists had distorted the president's words

to defend Iraq militarily.

Mike McCurry, the White House spokesman, also insisted that the remarks had been poorly translated. But Mr Yeltsin's televised and

recorded comments were clear in their criticism of the US. Government bond markets, often a haven during military

Bidding to win public backing for
Iraq action Page 10
Editorial Comment Page 17
in the line of fire Page 16
Lex Page 18

confrontations, fell sharply in the immediate wake of Mr Yeltsin's comments but recovered some ground later. The impact was felt most in the German market, but - having ignored the Iraqi crisis until yesterday - all the main European markets ended slightly

"One must be more careful in this world saturated with all sorts of weapons which are some times in terrorists' hands," Mr Yeltsin said. "It is all very dan-

sion that Russia was threatening are saying let us flood it all with planes and bombs.'

Mr McCurry said no timetable or deadline had yet been set for an attack, but "if and when the president decides that we need to pursue a military option, military planning will be made by the very skilled people that work at the Pentagon."

The state department, however, cautiously welcomed hints of fraqi flexibility following reports on the CNN television network. attributed to unnamed Iraqi officials, that President Saddam Hussein had offered to open up eight presidential sites to inspections for one month.

Amr Moussa, the Egyptian for-eign minister, said his Iraqi counterpart had told him Baghdad was moving towards such a deci-

"The lragis seem to be moving toward some recognition that their blocking of so-called presidential sites is untenable," James Rubin, state department spokes-"This shows the necessity of

standing firm. It shows the neces- must have full and unfettered sity of our determination and our access to weapons sites.



Russian president Boris Yeltsin during a televised Kremlin meeting as he made critical comments about the US stance on Iraq

united resolve that the Iraqi regime comply fully and unconditionally with the UN security council resolutions."

But the proposal did not meet the condition that UN inspectors

Mr Yeltsin spoke yesterday on the telephone with Tony Blair. the British prime minister, before Mr Blair left for talks with the US administration in Washington. The Russian president reiterated his strong opposition to mili-

Reuters shares up after assurance of limited damage

and John Gapper in London

tionship with Enersis, the Chil-ean electricity company it took control of last year. Page 19 Reuters Holdings, the financial Roche, the Swiss pharmaceuticals group, has won

European Union clearance for its \$11bn takeover of Corange, a pri-vate Bermuda-based company which owns the German diagnostics company Boehringer Mann-heim: Page 20 heim. Page 20 MoDo, the Swedish pulp and

paper group, blamed currency hedging and volatile product prices for a fall in full year profits from SKr2.92bn (\$370m) to SKr2.03bn last year, even though sales rose from SKr21.5bn to SKr21.9bn. Page 19

resume defence discussions after Foreign investors will be able to make hostile takeover bids for South Korean companies in a China to finance housing loans China will allocate Yn100bn move designed to force the nation's leading conglomerates, or chaebol, to restructure. Page 8 year to encourage home owner-ship and spur the fledgling resi-

Petron, the largest Philippine petrol group, slid into the red for the first time in 22 years. It blamed its 1997 net loss of 631m pesos (\$15.7m) on the collapse of the currency. Page 22

Salson group of Japan is to sell assets including the Inter-Conti-Fur files over Winnie the Pooh As UK prime minister Tony Blair met senior officials in Washingnental Hotels and Resorts group to cover bad debts. Page 22 Jardine Flathing, the Hong Kong-based investment bank, is set to buy a part of the assets of Peregrine Asset Management, the ton, MPs in London launched a campaign to repatriate Winnie the Pooh, Tigger, Kanga, Eyore and Piglet, the toys on which A.A. Milne based his Christopher Robin stories, from their "glass case prison" in New York City fund management arm of the failed securities company. Page 22

By Christopher Price

information group, yesterday tried to reassure investors that it faced limited damage from a US criminal inquiry into whether it had stolen data from Bloomberg, one of its competitors. Shares in the group jumped by

40p to 560p - restoring about 2600m of the £1.6bn market value it lost after the inquiry was disclosed last week - after it said it did not expect to have to withdraw any products as a result. Reuters said it had hired a New York agency - thought to be Cyberspace Research Associates to undertake competitor analysis of Bloomberg's products rather than to steal proprietary

software from Bloomberg. However, it admitted that US subsidiary in Stamford, Connecticut, had "induced" the agency to provide Bloomberg data to Reu-taken. ters in breach of subscription

investment in Reuters Analytics, any part of the statement. which has grown rapidly in the

Stock Exchange came after days of US press reports suggesting

Inside

Lex. Page 18

that Reuters was being investigated for encouraging an agency to carry out illegal electronic

espionage of Bloomberg.
In its statement, which was approved by US investigators, Reuters said the inquiry was examining whether any Bloomberg data obtained by Reuters Analytics had been "improperly incorporated into Reuters prod-

It had "no knowledge" of any attempts to break into Bloomberg's computers in order to copy its proprietary operating systems. It also did not believe this was the focus of the inquiry.

The company said it did not believe it would have to stop selling any products. There had been speculation that it might have to limit sales of Reuters 3000, its latest generation of products.

However, it added that should investigators were examining any proprietary information whether its Reuters Analytics belonging to Bloomberg be discovered in Reuters products. "remedial action" would be

The statement confirmed that the inquiry was not limited to Reuters has been trying to Reuters Analytics, but extended raise its presence in the market to other areas and individuals for US bond information, in within the group. The company which Bloomberg is a leader. Its refused to comment further on Bloomberg declined to com-

past three years, was part of this. ment on the inquiry. Cyberspace Research Associates did not Its statement to the London return calls.

Bad news for Reuters, Page 24

Stora chairman faces call to quit the face of public indignation at per cent annual return on equity.

Bo Berggren, chairman of Stora, yesterday faced calls from minortion in a furore over a severance

Mr Berggren, one of the top figures in the Wallenberg indus-Helgesson, Stora chief executive, ling SKr64m (\$7.9m) after he up leaves the group next month.

executive pay levels. The controversy comes shortly after Swedthe Swedish forestry group con-ish forestry industry workers trolled by the Wallenberg family, accepted a 2.5 per cent pay rise. Mr Helgesson, 56, who has

announced in December he package for the company's would leave his post at the tional investor.

departing chief executive. would leave his post at the tional investor.

annual meeting in March. Mr Berggren a His position had been seen as

trial empire, was called on to quit ment last year of Percy Barnevik ion between him and Mr Helgeswhen it emerged that Lars-Ake as chairman of investor, the key Wallenberg investment vehicle. will receive a remuneration total. Mr Barnevik has vowed to shake under-

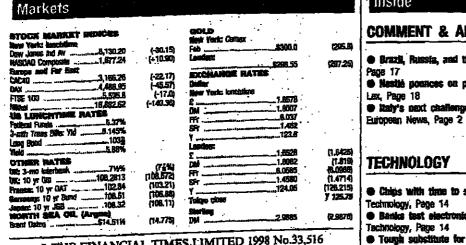
eaves the group next month. performing companies. not receive severance pay for The row prompted Göran Pers- Under Mr Helgesson, Stora lost quitting voluntarily. Such son, Sweden's prime minister, to its position as Europe's largest accuse Stora of "insensitivity" in forestry group and averaged a 5.8

Stora claimed originally that Mr Helgesson was leaving the company at his own behest. But it emerged yesterday that he felt obliged to stand down. "He did ity shareholders for his resigna- headed Stora since 1992, not choose to go...this has been badly handled," said one institu-

> Mr Berggren admitted the resignation had been triggered by vulnerable following the appoint- unspecified "differences of opin-

Aktiesparama, Sweden's influential small shareholders' association, said Mr Helgesson should

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Technology, Page 14 FINANCE

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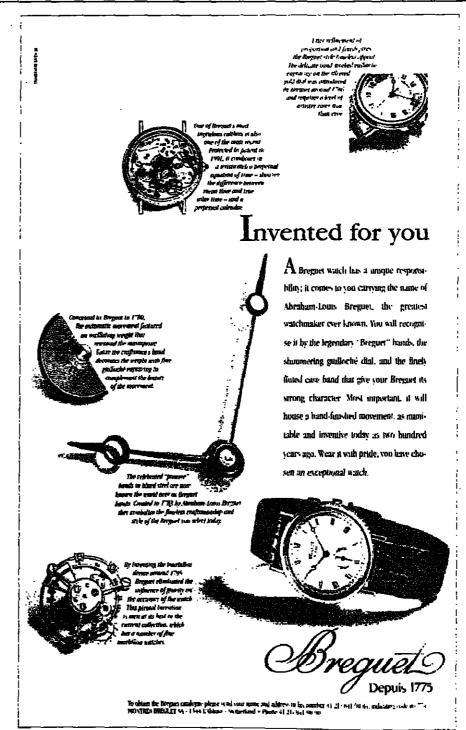
Bank of England governor Eddie

George: a second term? Page 17

Governing the Bank of England

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European News, Page 3 FT.com: the FT web site provides updated news and an updated archive of back articles at http://www.FT.com International 4-12 Europe 2,3 Arts 15 Letters 16 Companies 20-24 Currencies 27 Bonds 26 World Equities 32-38



Brussels delays

Alitalia inquiry

decision to reopen an investigation into state aid paid to

Alitalia last year after Romano Prodi, the Italian prime

minister, pleaded for extra time to resolve the airline's

problems. The Italian authorities have until tomorrow to

tell Neil Kinnock, the EU's transport commissioner, how

Brussels says the behaviour violates the conditions

agreed to by Alitalia in return for approval of a L2,750bn

(\$1.56bn) state aid package. These specifically outlawed so called "price leadership". The Commission first asked

Alifalia to mend its ways last autumn. When nothing happened, it announced it would re-examine payment of

Emma Tucker, Brusse

they intend to stop Alitalia from cutting prices on domestic routes to undermine the position of rival

NEWS DIGEST

By Paul Betts in Milan

two-year wage freeze to reduce labour costs and enhance the competitivity of the country's banking system before the introduction of the European single currency.

The pay freeze is part of a series of proposals the Italian Banking Association (ABI) is expected to put to banking unions next week during negotiations over the industition and the arrival of the euro. try's new wage contract.

Although the unions said yestertry's national wage contract, they

Mobile

phone

users

want

more

By Alan Cane

Mobile phones are as likely

to be used by 2000 for send-

ing and receiving electronic

mail and for interrogating

corporate computer files as

for making telephone calls, a

among business managers in

Germany, the Netherlands

and the UK, underlines the

extent to which mobile tele-

phony has become indispens-

able to business culture.

Almost all the respondents

(97.3 per cent) said they

always took their phones

with them on normal work-

Most significantly, almost

one in five said they thought

of their mobile handset as

their primary phone as

opposed to a fixed line.

Women were more than

video images delivered to

More than one in three (37

per cent) believe they will be

able to have access to finan-

cial information over cellu-

lar networks by 2000, while

64 per cent expect to have

ready access to the internet

using their mobile handsets

Cost was the most important reason for choosing a

particular service provider.

but geographic coverage

topped the list of reasons for

changing from one mobile operator to another.

respondents believed it was

acceptable to make or take

calls in the bathroom, com-

pared to a quarter of the

Dutch and just over one-

tenth of the German respon-

Most of those polled said

they would never make or

receive calls in the cinema

or theatre, but 19 per cent of

Germans believed it was acceptable to make calls in

business meetings, compared

to only 2 per cent of Britons.

whether drivers should

receive calls at the wheel

attracted a mixed response.

Forty-seven per cent overall

thought it was acceptable,

but the three countries

showed marked differences

with 58 per cent of Nether-

lands respondents saying the

practice was always accept-

able, against 47 per cent in

Germany and 37 per cent in

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The controversial issue of

About a half of the UK

the handset.

the fixed variety.

ing days.

The survey, carried out

new survey indicates.

ciple of a pay freeze to protect jobs

Banco di Napoli this year.

Italian banks are pressing for a threatened by the widescale

Istituto San Paolo di Torino, restructuring now taking place in Italian banks.

> The banking association warned three years in Italy's overmanned. highly fragmented and inefficient banking system in order to adapt it to increasing international compe-

The industry is also in the throes of rapid consolidation and restructday that there were still significant uring, with a number of new bank unresolved issues over the indus- mergers in the pipeline. Banca Nazionale Del Lavoro is due to be pri-

appeared willing to accept the prin- vatised and integrated with the interest in combining with IMI.

Italy's largest commercial bank. will consider at a board meeting tomorrow merger options with earlier this year that up to 60,000 other Italian banks drawn up by its jobs needed to be cut in the next adviser, Goldman Sachs, the US investment bank.

San Paolo is considering a merger with the IMI banking group but is also being courted by Credito Italiano, the large Milan commercial bank. Intesa, the banking group formed at the beginning of this year with the merger of Banco Ambroveneto and the Cariplo savings bank, has also expressed

However, these new banking concentrations presuppose significant restructuring. Banca Nazionale del Lavoro, for example, said this week the merger with Banco di Napoli would lead to about 3,000 job losses.

Apart from overstaffing, labour rigidities as well as poor use of technology have bloated Italian banking costs. The ratio of staff costs to profit margins in the banking system is currently 44 per cent, compared with an European average of 39 per cent.

The banking industry has told

costs down to a level closer to the European average and certainly not more than 1-1.5 percentage points higher. To this end, it has. proposed a two-year pay freeze for 1998 and 1999, with a review at the end of this period to decide on

wage levels for the next two years. It is also seeking an end to rigidities and automatic mechanisms in the existing pay system to introduce greater flexibility. As for the delicate question of job cuts, the industry has avoided any reference to mandatory redundancies, sug-gesting that reductions can be achieved through early retirements

the state aid, the second tranche of which has not yet

■ BERLIN AIRPORT

US operator withdraws bid

Airports Group International, the US airports operator, has withdrawn its bid to acquire a majority stake in the Berlin-Brandenburg airport authority (BBF), it emerged vesterday. The company led one of the four consortia shortlisted to take control of BBF, which will be privatised later this year. The reasons for AGPs withdrawal remain unclear. Last year the company failed to acquire a stake in Düsseldorf airport, prompting speculation that AGI has scaled back its estimate of the prospects offered by the German market.

Sources close to the Berlin privatisation said the consortium headed by AGI, which included WestLB, a regional state bank, Bewag, the Berlin utility company, and Parsons Engineering of the US, was the most unenthusiastic of the four shortlisted. The future of the

three other consortia members is uncertain. In a statement issued last night by PPS, BBF's project management subsidiary, it was announced the option of 'regrouping" consortia members was possible, although that would require the approval of BBF's shareholders. the states of Berlin and Brandenburg and federal government. PPS refused to comment on AGI or the future of the three remaining consortia members.

Frederick Stüdemann, Berlin

■ FRENCH TGV

New line moves step closer

The prospect of a high-speed train line linking Paris with Strasbourg in eastern France moved a big step closer yesterday as the French government gave the green light to construction of a first phase as far as Vandières, north of Nancy. Catherine Trautmann, the former mayor of Strasbourg

who is the official government spokeswoman, said this part of the line would be operational "in the years 2004. 2005, 2006" and that "the first pick-strokes" could fall towards the end of 1999.

She said construction of the line, which will substantially reduce the current four-and-a-half-hour journey time between the two cities, would cost FFr18.7bn (\$3.13bn). The government has decided to increase its share of the burden from FFr3.6bn to FFr8bn. SNCF, the state-owned rail operator, is expected to contribute FFr2.7bn, with local authorities and European funding accounting for the remainder. David Owen, Paris

CABLE CAR CRASH

Prodi blames 'recklessness'

Romano Prodi, Italy's prime minister, said yesterday that "tragic recklessness" had caused the deaths of about 20 holidaymakers in the southern Alps on Tuesday when a low-flying US military jet hit cable-car wires. "It was a terrible act. It [the aeroplane] was flying

virtually at ground level," Mr Prodi told reporters on a visit to Cavalese, a north-east skiing resort. "It was an act of tragic recklessness

Senior politicians, including Oscar Luigi Scalfari, Italy's president, expressed concern about the accident, in which a US Marines surveillance aeroplane is estimated to have been travelling at a height of 100 metres off the ground. "It would be terrible to think that a tragedy such as this may have been caused by someone thinking they can play around with the lives of others," Mr Scalfaro said. Italy's Reconstructed Communist party, which is part of

the government majority, used the incident to question again whether Italy should continue to play host to US bases. "We are obviously not masters of our own territory," said the president of Reconstructed Communism, Armando Cossutta. James Blitz, Rome

■ GERMAN PRODUCTION

December figures stronger German industrial production staged a stronger than expected recovery in December after a weak November, but sharply lower output of consumer durables and

investment goods prompted fears that some sectors were falling prey to the Asian crisis.

The economics ministry reported that total production, including energy and construction, increased by a

provisional, seasonally adjusted 0.6 per cent in December compared with November, after a 0.3 per cent decline in November and October's 2.5 per cent rise.

Investment goods and consumer durables output fell

respectively by 4.8 per cent and 3.3 per cent in December. while production of semi-finished products and non-durable consumer goods rose 4.7 and 3.5 per cent. The ministry warned that December's output growth was liable to downward revision.

Taking the ministry's preferred two months' comparison that evens out short-term blips, total production in November and December was about 1 per cent up on September and October. Above average output growth in the semi-finished and consumer sectors contrasted with a 0.5 per cent drop in investment goods production. Total industrial production increased by an average of 2.6 per cent last year, with manufacturing output advancing by 4.3 per cent against a 5.1 per cent drop in construction activity.

■ RUSSIAN ELECTRICITY

Board slams rival managers

The government supervisory board of Unified Energy Systems (UES), the Russian electricity monopoly which has been the stage for a battle between young reformers and Soviet-era industrial managers, yesterday reprimanded both factions.

The board criticised Anatoly Dyakov, the former chief of UES who last week tried to regain control of the company. It also slapped the wrist of Boris Brevnov, the young reformst chief of the company, who has been fighting a spirited battle to stay in charge. In an ominous sign of future mud-slinging, the board asked the national procurator, the chief law enforcer, to investigate both of the feuding executives. Mr Brevnov has accused Mr Dyakov of stphoning vast amounts of money into a shadow world" of related companies. Mr Dyakov has attacked Mr Brevnov for receiving too high a salary.

The conflict is expected to be resolved at an extraordinary shareholders meeting the board said will be held in mid-March. Brunswick, a Moscow investmen bank, yesterday predicted both men would be sacked at Chrystia Freeland, Moscow

Berlusconi takes his toys away

About-turn on constitutional reform has shocked Roman politicians, says James Blitz

ust as Italy's main goal in 1998 - the green light to become a founder member of a single European currency - looked increasingly achievable, one of the country's main domestic challenges, reforming its ramshackle constitution, has been beset by problems.

The drafting of a new constitution, one that is aimed at creating strong executive government, is widely deemed crucial if Italy is to have stable governments and economic policies once it enters the euro area. The country is often ridi-

culed for having had 55 governments since the 1948 constitution was drafted by the founding fathers of the first republic. But recent difficulties faced by Romano Prodi's government in pushing through sensitive plans for welfare and public sector reform have underlined the weakness of an electoral system that retains a strong dose of proportional representation and coalition-

twice as likely as men to favour a mobile phone over building. Until recently, the Italian The survey, conducted by parliament appeared to be the marketing consultancy reaching some consensus on IDC for the Anglo-Dutch the issue. Negotiations were based on delicate co-operacomputing services group CMG, shows that mobile tion between parliament's two main political leaders: subscribers are already keen Massimo D'Alema of the govto have the kind of advanced ernment-supporting Party of features usually associated with "third generation" the Democratic Left; and Silmobile systems, which promvio Berlusconi of the opposi-

ise information and moving tion Forza Italia.

possibly with powers over foreign affairs and defence, leaving the remaining portfolios to prime ministerial government. Under the present system the president is elected indirectly, by the two chambers of parliament and

regional delegates. Moreover, parliament's electoral system should be increasingly based on the first-past-the-post system. For good measure, the party with the largest number of deputies would get an additional 80 to 100 extra seats to

help create a majority. This week, Mr Berlusconi shocked the Roman political world with a hastily-composed speech in Paris in which he backed a return to proportional representation and said he was now having "doubts" about a directly elected president.

Politicians and journalists have been trying to work out why he said this and what it may mean. Some deputies believe Mr Berlusconi's move was tactical, triggered by an altogether different judges. issue but one which he sees as fundamental to any constitutional change: the need to water down the power of Italy's formidable judges and magistrates.

Mr Berlusconi faces allegations, involving tax fraud and false accounting, at the hands of the powerful cote-rie of Milan judges. Reduc-constitutional project," said rie of Milan judges. Reducion Forza Italia. tion of their powers is his Mr La Malfa.
The complex bargaining central goal both for per-Others believed. process has yielded two sonal and political reasons. main proposals thus far. Mr D'Alema and his allies,

Giorgio La Malfa, a government supporter, says it his long-term aim and if it was the conversion of Mr Fini that triggered Mr Berlusconi's move on PR. "What Berlusconi is saying is that. unless there are some con-

cessions on the issue of jus-

tice, he is prepared to under-

week by getting Gianfranco

Fini. the ambitious leader of

the neo-fascist Alleanza Naz-

ionale and until recently Mr

Berlusconi's firm ally on the

right, to give a strong mes-

his centre-right alliance in the April 1996 election

against such a move. More-tics. This, so he hopes, will play in my little corner'." over, they notched up a con- see him emerge as a "censiderable achievement last trist" leader of smaller parties, such as the separatist Northern League and the former Christian Democrats. For parties of this size, a return to PR is obviously in their interests and they sage of support to the would find Mr Berlusconi's

How it was last time: Berlusconi's poster campaign failed to bring victory at the polls for

message appealing. If such a realignment is were to succeed, Mr Berlusconi could mount a strong force to scupper the constitutional reform altogether.

But some deputies dismiss this view altogether. They believe the volte-face underlines Mr Berlusconi's desperation about his career.

Fabio Mussi, a leading coni's remarks suggest that. Forza Italia leader this week shorn of Mr Fini's support, as "a toddler who suddenly First, Italy should have a who have less to fear from he is now setting about a gets angry and says: 'I'll directly elected president, the magistrates, are firmly realignment of Italian poli- take my toys and go and

More strikingly, Giuliano Ferrara, a long-time confileader, described Mr Berlusconi's move as that of a "madman", one who has "veered away from a course which the public want and would, in the end, have rewarded".

What Mr Berlusconi is up to will be clearer in time. The Italian parliament has until next year to finalise the constitutional draft. And Mr D'Alema, who has pinned his fortunes to this rebuilding of the political system, will be keen to achieve a

meaningful result. But, for the time being, the events of recent days Others believe Mr Berlus- PDS deputy, described the will sour the hopes of those who crave long-term stabilcountries planning to join

UK plan for EU

Britain, as president of the

European Union, yesterday

ber-states into improving

transport safety through a "peer pressure" system involving the publication of

annual mortality and injury

Gavin Strang, UK trans-

port minister, said an

authoritative annual report

by the European Commis-

sion on all forms of trans-

port accidents would

encourage member-states to

focus on best practice in

other countries. It would

also enable the EU to moni-

tor the effects of legislation

Mr Strang told members

of the European parliament

that safety was the UK's main priority in transport.

But he acknowledged that

agreement on an annual safety report would take

longer to secure than the

remaining five months of

UK was keen to take for-

ward plans already put for-

ward by the Commission for

an aviation safety authority

and random safety checks

Mr Strang said the UK

hoped transport ministers

on commercial vehicles.

on transport safety.

the UK presidency. In the shorter term, the

set out plans to shame mem

safety

tables

Yeltsin backs fiscal package

By Chrystia Freeland in Moscow

In an apparent effort to reassure nervous international investors, President Boris Yeltsin yesterday backed a tough fiscal programme presented by Anatoly Chubais, the first deputy prime minister.

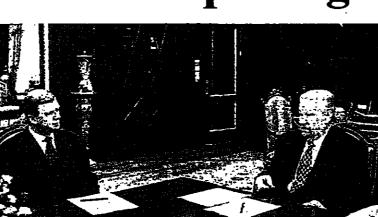
Mr Yeltsin's instructions, reported by his press secretary after a private meeting between the president and Mr Chubais, seem to be a response to investor demands for an emergency package of austere fiscal measures. But the effectiveness of the proposals could be diminished by the convoluted manner in which they were announced and by feuding between government clans. Following the Asian crisis, Russian

share prices have plunged and the central bank has been forced to raise interest rates to 42 per cent to defend the rouble. The Russian Trading System, the leading stock market index, is down 49 per cent down since October 6. Foreign investors argue that the Kremlin must put forward an emergency fiscal programme to slash the budget deficit, improve the country's lack-lustre tax collection and promote

During yesterday's meeting. Mr Yeltsin reportedly endorsed many of the measures demanded by investors. His instructions included a moratorium on eroded as his allies have been sacked

structural economic reforms, including

enforcement of bankruptcy legislation.



Anatoly Chubais (left) at his meeting with President Yeltsin yesterday

government borrowing until the end of and he himself has been dismissed March, cutting budget spending and defending the rights of shareholders. including foreigners. Mr Yeltsin's remarks to Mr Chubais were reported by Interfax, a Russian news agency whose former head is now the president's deputy chief of staff and which enjoys close links with the Kremlin. Mr Yeltsin's choice of Mr Chubais to implement what the president said Dirk Damrau, the head of research described as "our tough line" may raise eyebrows. Over the past few months, Mr Chubais's political authority within

from his post as minister of finance. Investors may doubt whether Mr Chubals, with his reduced powers, has the muscle to implement the ambitious measures supported by the president. "What investors are really waiting

for is a tangible statement - from the very top - on what the government will do to rectify the fiscal situation." at Renaissance Capital, a Moscow investment bank. "The problem is no one knows whether the Kremlin outte appreciates the reality of the post-Asia

Paris backs down on aid plan

the government has been steadily

By Robert Graham in Paris

The Socialist-led government yesterday approved a reform of France's overseas aid policy, introducing stricter financial and political controls, especially regarding Africa. However, it backed down from earlier plans to create a wholly new government agency.

Recipients of French aid PRANCE: Problems Director P. Maraorgha, 42 Ruc La Boetta, 7903, PARIS Telephone (91) 5376-5254, Fax (91)-1356-3253, Printer, S.A. Nord Echar, 1972-Ruc de Carte, F-9709 Roubant Code, 1, Eduard Rodard Lambert, ISSN 1148-2753, Concuission Partiagre No 67803D have been assured that current commitments will be honoured. The changes are intended to create savings through greater accountability and tighter management. Responsible Publisher, Hugh Carney, 468-618-6038 Printer, AB Kvállatidningen, Expressen, PO Box 6007, S-550-06, Jönköping.

Another goal is to reduce the scope for corruption and to ensure that overseas aid is centrally co-ordinated. rather than run as a separate fieldom as it has been in

Charles Josselm, a junior

helping the poorer countries. At the same time, an ele- French-speaking Africa ment of conditionality is likely to be introduced over the nature of the regime in recipient countries and these countries' track record in reducing corrup-

in advance of yesterday's announcement, Mr Josselin had already begun a tour of French-speaking African countries to outline the proposals and reassure lead-

The reforms themselves are more timed than Lionel Jospin, the prime minister, outlined on taking office last year.

The Socialist-led government had hoped to create a

minister in charge of new development agency and the finance ministry to co-operation, has indicated and scrap the co-operation that France will put the ministry dubbed "the min-emphasis in future aid on istry of Africa", since 65 per cent of all aid has gone to

However. President Jacques Chirac, who has overall responsibility for French for- will be no cut in the 1,100 eign policy and who prides staff. himself on his personal contacts with French-speaking African leaders, had previously pledged to maintain the ministry throughout his presidential term.

African leaders themselves were concerned that the move represented a downgrading of Africa in French policy and an end to their highly personalised dealings with the French establishment.

between the foreign ministry agency.

control the new body administering the FFr41bn (\$6.8bn) annual aid budget. As a compromise, the co-operation minister will retain a portfolio with the right to sit in on cabinet meetings, and there

But the foreign ministry will have overall responsibility for the direction and nature of aid, while the finance ministry will have a joint say in financial control

The Caisse Française de foster easier access to rail-Développement will still disburse cash and will be used as the chief operative arm of aid policy under a new name. In this way, the government will be able to dem-The shake up was also onstrate it has created its structure, particularly conditioned by a fierce fight promised development through Trans-European

would approve in June tougher rules on the emission of nitrogen oxides from aircraft. Britain was also looking at ways of encouraging more freight to go by rail, which was both safe and environmentally friendly, and welcomed the Commission's proposals to

ways.

Two other areas which would be emphasised by the presidency were the completion of the single market and improvements in infra-Networks (Tens).



NEWS: EUROPE

Nationalists | Simitis takes on the public sector unions increase hold The move marks the start of reforms to keep confidence in on Armenia

By Selina Williams

The risk of renewed conflict in Azerbaijan's disputed enclave of Nagorno-Karabakh increased yesterday, as nationalist politicians strengthened their hold on the neighbouring state of Armenia

Fighting in the mainly Armenian-inhabited enclave claimed thousands of lives after it broke away from Azerbaijan in the 1980s A ceasefire in 1994 brought a

· Leave bid

But efforts for a permanent settlement have taken a blow with the resignation of Levon Ter-Petrosyan, the Armenian president, who had waged a furious battle with nationalist critics inside and outside his administration.

"We will take a much tougher line on any future "The best way to keep the peace is to be ready for war." Haydar Aliyev, president of Azerbaijan, yesterday said his country would continue to observe the Nagorno-

Karabakh ceaseffre. But he added: "We follow. with concern the situation in Armenia that has developed since the resignation of President Levon Ter-Petrosyan."

Robert Kocharyan, Armenia's nationalist prime minister, who led Nagorno-Karabakh from 1993 to 1997, will replace Mr Ter-Petrosyan as head of state until elections now look very poor. Howon March 15.

Mr Ter-Petrosyan fell after nearly half his parliamentary supporters defected to a nationalist faction which contains many veterans from the Nagorno-Karabakh war and supports bakh," he said.



the defence minister.

Effective control of Armenia is now in the hands of Mr Kocharyan. However, according to the constitution, he cannot run for the presidency because he is echnically a citizen of Azer-

Both Mr Kocharyan and negotiations on Nagorno- Mr Sarkisyan fell out with Karabakh," the Armenian Mr Ter-Petrosyan over his defence minister. Vazgen endorsement last year of a Sarkisyan, said yesterday. peace plan for the disputed peace plan for the disputed region, which they say made too many concessions to

Under the plan's proposals, ethnic Armenian Karabakh forces would have given up six regions of Azerbaijan which they have captured. International peacekeepers would then move in and the status Nagorno-Karabakh would be decided later.

The prospects for the plan, which was backed by the Organisation for Security and Co-operation in Europe. ever, Mr Kocharyan played down the importance of the changes in the Armenian capital. "Everything is quiet in Nagorno-Karabakh. The situation in Yerevan has not affected the one in Kara-

the drachma, says Kerin Hope

wage concessions from timid managers appointed by the government merely to hand out subsidies and avoid politically costly strikes. Now Costas Simitis, the

Socialist prime minister, has

challenged the unions' grip on public sector enterprises. The confrontation marks the launch of long-awaited structural reforms necessary maintain confidence in the drachma and keep alive Greece's chances of qualifying for the European Union's single currency in 2001, two years after the euro's planned launch.

Despite defections by Socialist deputies, parliament has now approved legislation to restrict collective bargaining rights at four state-controlled corporations with a track record of high deficits and stormy unionmanagement relations. International institutions

stress Greece must take radi- inflation and attract investcal measures to curb spending, to consolidate gains from improved revenue collection and a sharp fall in annual inflation, which slowed to 4.7 per cent in

J nion leaders at "A much greater reduction Greece's public in the scope of public sector enterprises once activities than currently liked to boast of their suc- envisaged would improve fiscess in winning extravagant cal prospects and economic efficiency.

The Socialists' campaign to impose financial discipline on state enterprises. the country's biggest employers, should speed Greece's catch-up effort with its partners. It is the only EU member that has not achieved any of the targets for participating in monetary union. Tighter management of

public-sector enterprises is year's target of cutting the budget deficit to 2.5-2.88 per cent of gross domestic product, just below the EUs 3 per cent requirement. The move against the unions reflects the govern-

ment's determination to pro-

tect the stability of the drachma, under repeated attack during the turmoil in Asia's financial markets. The drachma is pegged to the Ecu, to reduce imported ment from abroad in Greek government securities. But Greece's reluctance to impose spending curbs had

fuelled speculation that the

new constitution.

reform effort would run out A report last month by underlying weaknesses of its Salomon Smith Barney said: service-based economy.



Workers at a protest called by the Confederation of Labour in Athens on Monday

has been slow, and the Socialists have focused on trying to reduce public secimportant for reaching this tor employment through attrition and by seeking private-sector managers to improve management at all 36 state corporations.

> with the unions, his main supporters in the battle for control of the Socialist party

ernment wary of trying to limit their influence.

But the prime minister ran out of patience after union intransizence wrecked his attempt last year to win consensus on labour market reforms through a "social Mr Simitis's close links dialogue" with the government and private sector employers.

"The unions had grown

The pace of privatisation two years ago, made the gov- used to getting their own way," said an Athens-based consultant. "There's a high turnover among managers of public enterprises. Until

recently, they have mainly

been amiable professors who

couldn't stand up to union bosses." The new legislation limits the unions' bargaining up deficits since being split

rights on pay rises, overtime and other benefits, and

SPLIT LOOMS IN NEW DEMOCRACY PARTY profile since Costas Karamanlis, a 40-year-

Greece's struggling conservative opposition party, New Democracy (ND), yesterday faced a possible split after three ex-cabinet was elected as party leader last year. ministers who abstained from Tuesday's parliamentary vote on labour union reform were expelled, writes Kerin Hope in Athens.

Stefanos Manos, an ex-economy minister and the party's strongest supporter of market reforms, had announced his support for the Socialists' attempt to crack down on the of steam and expose the powerful public sector unions. Mr Manos. who launched Greece's privatisation programme in the early 1990s, had kept a low

old lawyer supported by ND's populist wing.

His predecessor as economy minister, George Souflias, was also expelled, along with Nikos Kontogiannopoulos, a former education minister. The conservatives face a full-scale party rebellion against Mr Karamanlis, who has had little success in building a coherent policy platform and now appears to have lost the support of party elders who backed his leadership bid.

opens the way for compul-sory transfers of workers at state-controlled corporations. Government advisers say it will lead to more flexible working practices.

The move was timed to coincide with the start of a round of wage talks. Last year, the public-sector unions won rises of up to 15 per cent, against a budget assumption of 10.5 per cent. This year's guidelines call for 4 per cent increases. matching the projected average annual inflation rate.

The four corporations affected - Olympic Airways. the Post Office, the Hellenic Railways Organisation and the Athens bus company have a "history of ... the accumulation of very big deficits," said a government adviser, the heaviest lossmaker is the bus company. which has accumulated debts of over Dr700bn (\$2.4bn), equal to 2.1 per cent of gross domestic product. The Post Office has racked

off from the state telecoms operator four years ago. while the slow pace of railway modernisation has led to a steady decline in passenger numbers.

After abandoning a restructuring plan agreed with the EU in 1994 in return for writing off Dr480bn in accumulated debt, Olympic Airways faces a deepening crisis. Theodoros Tsakirides, its new chief executive, said the company was seeking an emergency government loan to cover first-quarter operat-

Albanian opposition to end parliamentary boycott

By Kevin Done,

East Europe Correspondent

Albania's opposition Democratic party, led by the former president, Sali Berisha, is to eliu its fivemonth boycott of parliament after coming under pressure from senior European officials.

A delegation from the European Parliament, the Council of Europe

and the Organisation for Security weeks ago and called on all parties to work together in drawing up a has insisted that new elections stitutional process back on track.

The Democrats have been boycotting parliament since last Sepshot and wounded by a Socialist anarchy triggered by the collapse compiled by the Democratic party MP inside the parliament building. of a series of fraudulent pyramid was rejected amid claims by the

minister, Fatos Nano, to resign. He should be held.

Mr Berisha's Democratic party

and Co-operation in Europe visited on the five-party coalition govern- delegation rejected Mr Berisha's Mr Berisha too much power. Tirana, the Albanian capital, two ment, led by the Socialist prime call for new elections, saying the main concern was to put the con-

The drawing up of a new constitution has been made a priority by was defeated in the elections held Mr Nano's government. A referenfember, when one of their MPs was last summer to end months of dum in 1994 on a draft constitution

Mr Berisha has repeatedly called finance schemes. The European Socialists that it would have given

The Democratic party said its return to parliament marked "the end of its non-participation protest". But it would "continue with other forms of democratic protests". Mr Berisha said the boycott had made the west aware of "violations of parliament by the leftist

Romania close to accord

By Anatol Lieven in Kevin Done in London

Romania's warring coalition partners said yesterday they were close to agreement after five weeks of political to support in parliament all turmoil which officials pro-reform legislation for at acknowledge has dented the nation's international standing and delayed an already faltering reform process.

A protocol is under consideration which would set out However, given the bitter-the terms on which the ness among the coalition minority coalition partner, the Democrats, will continue giving parliamentary support to the government. Andrei Plesu, the recently

on the Democrats had agreed to suspend their demand that Prime Minister Victor Ciorbea should resign by the end of March. They had also agreed

least six months. The government will shortly appoint new ministers to replace the five Democrats who have resigned. ness among the coalition parties, it seems increasingly doubtful that any compromise will last for long. Mr Plesu said there was

consensus on the reform year.

appointed foreign minister, agenda. "It is not substance tion of style, personalities and premature electioneering that infects the substance." He warned: "We cannot go on damaging Romania's image outside the country, when it has hardly been built up. All the belligerents know there is no second-best solution and new

coalitions are unthinkable." More pressure for agree ment was added when an IMF team led by Poul Thomsen arrived in Romania on Monday for three weeks of talks on the government's reform programme for this

USD 100,000,000 Revolving Import Facility Arrangers ne Paribas (Strisse) S.A., Geneva Credit Suisse First Boston. Zurich Balli Group plc elles Lambert (Suisse) S.A. ABN Amro Bank (Switzeri HF-BANK, London Brzech Krediethank N.V. Crédit Agricole Indosuez, Geneva Rangue Franco Rou Generale Bank N.V. Erste Bank - London Branch Basca Comercials RoBank S.A. canca Comerciala RoBank S.A Legal Advisor Clifford Chance II PARIBAS

RHONE-POULENC INFORMS ITS SHAREHOLDERS

Rhône-Poulenc: 1997 results

Rhône-Poulenc,

"The objective for 20% growth in 1997 net earnings per share excluding non-recurring charges, has been met with a rise of

1997 was a very important year for Rhône-Poulenc: we consolidated our activities in the Life Sciences and paved the way for the creation of Rhodia with its business portfolio sharply focused on specialty chemicals. These operations led to a nonrecurring charge of FF9.7 billion carried in 1997 accounts, which is reflected in a net loss for the year.

Enhancing the value of the Group remains our priority. We aim to achieve a return on equity of 13% by the year 2000.

To achieve this, the Group is counting on new products in the Life Sciences and on Rhodia's future development. We also intend to improve the earnings potential of our businesses. That is why new operations will be launched in 1998, which will result in additional non-recurring charges in the region of FF2 billion.

For 1998, we are maintaining our target of 20% growth in net earnings per share, excluding non-recurring charges.

> Jean-René Fourtou Chairman and Chief Executive Officer

Consolidated results

FF89.995 billion (+11.4%)* Net loss: FF4.991 billion Net income excluding non-recurring charges: FF3.417 billion (+24.7%)

Life Sciences

Consolidated net sales: FF52.6 billion (+11.7%)* Earnings from operations: FF8.4 billion (+0.95%)

■ Pharmaceuticals

Net sales:

Consolidated net sales: FF33.3 billion (+10.8%)* Earnings from operations: FF5.3 billion (-7.9%)

The downturn in earnings for pharmaceuticals is primarily due to the Centeon situation and to the decline in sales of asthma products in the United States, as well as weaker demand on the French pharmaceuticals market.



from health and food to the quality and safety of products used in ... every day life.

In contrast, strong growth was recorded in new product sales, particularly in the United States: Clexane®/Lovenox®, the world's leading product for the prevention of deep vein thrombosis; Taxotere®, the anti-cancer agent available in 55 countries: Rilutek®, the only available treatment for ALS (amyotrophic lateral sclerosis or motor neuron disease); Nasacont/AQ® for allergies.

Strong sales growth in vaccines helped consolidate Pasteur Mérieux Connaught's worldwide positions, particularly in the United States (Ipol®, an injectable polio vaccine and Tripedia®: pertussis, diphtheria, tetanus).

■ Plant and Animal Health

Consolidated net sales: FF19.5 billion (+12.8%)* Earnings from operations: FF3.1 billion (+20.5%)

Growth was fuelled by a generally buoyant market, the rapid increase in new product sales and the earnings posted by Merial. Frontline®, an antiparasitic agent for animals, recorded sales up 150% in 1997.

Regents, the brand name of the new Fipronil-based insecticide, doubled its 1996 sales performance.

In animal nutrition, methionine and vitamins continued to improve their sales performance (up by 10%).

Chemicals/Fibers and polymers

Consolidated net sales: FF37.5 billion (+10.6%)* Earnings from operations: FF2.1 billion (+76%)

The increase is mainly due to enhanced

sales in most businesses. The refocusing process toward specialty chemicals continued. The Chemicals and the Fibers/polymers businesses were merged into a new company, Rhodia, on January 1, 1998.

A gross dividend per ordinary "A" share of FF5.62 (FF5.25 in 1996) will be recommended by the Board of Directors at the Annual General Meeting of Shareholders to be held on May 26, 1998.

On a comparable Group structure

Investor relations: +33 1 47 68 07 05

Internet: www.rhone-poulenc First quarter 1998 results: April 30, 1998.



Dubai Aluminium seeks Gulf smelter partner

By Robin Allen in Dubai

Dubai Aluminium (Dubal) is seeking a partner from another advantage of the region's natural Gulf state to build a \$2.7bn smelter. With an annual capacity of 530,000 tonnes, it would be the Dubal would supply smelter and largest to be built although it power technology, as well as cash. would rank behind some Russian smelters that have been expan-

Dubal is taking an unusual approach because it wants its Gulf

gas resources, which account for about a third of the global total. The way would also be left open for a western producer to take equity in the project, codenamed

Analysts are cautious about its prospects. Tony Bird, managing

for gas, apart from paying for cept at present was "vague" and North America for Alcan of Canequity. The idea would be to take there was probably less than a 50 ada, "the fundamentals of supply per cent chance of it coming to and demand seem to be favourafruition. Mooted aluminium ble despite the Asian crisis. In a smelter projects in Canada, India and Mozambique were more likely have to plan long-term."

to be completed. Nevertheless, there was need for more global aluminium smelting capacity, he said. The Asian economic crisis had simply made the need less urgent.

director of the Anthony Bird alu-utive, Ian Rugeroni, a former pres-

cyclical industry such as ours you

Construction of new smelters has also been discussed over the past 10 years in Abu Dhabi, Kuwait, Oman, Qatar and Saudi Arabia. But building has yet to start: and at least one, that in According to Dubal's chief exec- Oman, has been affected by recent economic turmoil in Asian counwell as buy the aluminium.

reputation for getting things done. an increase of 45 per cent on 1996. Its recent "Falcon" programme, which expanded capacity by 50 per cent, took less than 21/2 years from conception to completion in

January last year. In 1997 Dubal chalked up record operating profits, sales revenues and volumes. The first of these, according to industry sources, reached some \$196m, more than 25 year.

ties, and offer a competitive price minium consultancy, said the confor gas, apart from paying for cept at present was "vague" and North America for Alcan of Canfinance the cost of construction as Dubal, total sales revenues were up almost 40 per cent to \$685m. on Dubal, on the other hand, has a volumes of nearly 400,000 tonnes

At present Aluminium Bahrain (Alba) is the region's largest aluminium producer, with an annual output of about 500,000 tonnes. Capacity at Iran's Al-Mahdi smelter on Qeshm island where, according to industry sources, "some cells are already operating," will reach 220,000 tonnes

G.P. Wild, the UK passen-

ger shipping consultants,

maintains that despite occasional fluctuations underly-

ing passenger demand has

grown at an average of 9 per

cent over the past 20 years.

industry has been that new

capacity is filled whenever

new ships are brought into service," says Peter Wild,

In recent years, the aver-

age age profile of the cruise

passenger has changed from

about 65 in 1970 to below 50

Shipbuilders say the new

gers demands better facili-

ties which cannot be met

tres, champagne bars and

The specification of one

recently completed vessel

for example, boasts: "Grand

entrances, flanked by statu-

esque sculptures, leading

through a soaring entry

arcade with vaulted ceilings,

theatres.

ble floors.

head of the consultancy.

"The experience of the

Vietnam investors

By Jeremy Grant in Hanoi

Self-criticism sessions are

Faced with the prospect of capital flight, Hanol is at pains to convince the dwindling foreign business com-munity that it has not lost the will - or the means - to tackle the problems that are driving away increasing

ment comes from Asia.

Mr Khai, a reform-minded Soviet-trained technocrat, devoted his day to hearing complaints from investors, But despite his pledges, most executives expected no dramatic results.

Most of the issues are micro-issues that have to be dealt with through local officials. Having the prime minister there listening is

Many investors suspect Vietnam's murky laws are kept deliberately vague to give local joint venture partners loopholes with which to exploit their financially

wood walls and inlaid marstronger foreign partners. Such opulent - some say vulgar - design has led to a flourishing sub-contract industry, in which many features such as galleys, marble bathrooms and entertainment centres are manufactured and fitted by specialist

That, in turn, helps the vards to minimise costs and shop around for the most

rituals required of Communist party cadres in Vietnam. But yesterday's encounter between the prime minister, Phan Van Khai, and 800 foreign investors was a departure from the usual socialist script.

numbers of companies.

Contracted foreign invest-

ment plunged by almost 40 per cent last year, as red tape, high overheads and capricious decision-making rendered many businesses unviable. Added urgency to win the public relations battle, if not stem the capital flight, comes from the Asian financial crisis. More than 70 per cent of foreign invest-

unlikely to change much," said Nigel Russell. a lawyer

with Australia's Philips Fox. Executives from companies such as Coca-Cola, Hewlett-Packard, Telstra and Fujitsu echoed the problems. Their complaints were less about the broad sweep of government policy than narrower issues like access to foreign exchange, interference by officialdom and the fact that local Vietnamese staff salaries were pegged in dollars rather than the local currency.

These problems strike at the heart of Hanoi's chronic inability to check provincial officialdom.

"It does seem that they put one finger in the dyke and three other holes burst open somewhere else," said Fred Burke, a lawver with Baker & McKenzie.

Yesterday's meeting took place against the backdrop of problems at a local joint venture involving Procter & Gamble, the US personal care products maker. Last week, the central bank shocked investors by freezing commercial lending to the venture after months of wrangling between P&G and its local partner.

"People who go on about waiting for the Vietnames to perfect their legal system are missing the point. Laws alone do not create an environmeut conducive to foreign investment," said Mark Brady of Baker & McKenzie. "Only a demonstrable commitment to internationally Tim Burt acceptable policies can do

Europeans cruise to luxury contracts

Specialist yards are building opulent liners as passengers take to ships with marble floors and self-playing pianos

in the Penthouse ordered by Caribbean Cruise small stretch to the control panel that activates the under construction at Eurowhirlpool tub, the selfplaying grand piano and the commands a panoramic view, more than 100ft above the ocean.

For the next few weeks, however, the scenery will be dominated by the cranes and warehouses of Helsinki harbour, where more than 1,000 shipyard workers are fitting out the MS Paradise.

At 70,400 tonnes, the "Fantasy Class" liner will join the growing fleet of new vessels serving the fast growing

rom the king-size bed cruise industry. The ship, Suite, it is only a Lines of the US, is one of pean shipyards.

Kvaerner Masa-Yards, Caribbean Cruise Lines for a third 136,000 tonne superliner, able to take 3,100 pas-

At the same time. Royal Caribbean placed orders for a further six vessels with Chantiers de l'Atlantique of France and Meyer Werft of Germany.

month's announcement of a \$390m order from Carnival, also placed with Kvaerner. almost a dozen currently and a £520m contract for two vessels from Britain's Peninsular & Oriental Steam Navigation, won by Fincantieri of

> These vards have become the world's leading cruise ship manufacturers by successfully withstanding pricing pressures and intense competition from lower-cost rivals in south-east Asia. They have done so because

cruise ships involve much higher specification and promise higher margins than the cut-throat commercial cargo sector. Those yards ner Shipbuilding, Korean relving solely on the tanker The flurry followed last or bulk carrier market have sels below cost and are

Setting the standards for global IT.



Asian competitors, particu-According to Martin Saarikangas, president of Kvaeryards are selling cargo ves-

struggled to survive against threatening to double capacity by 1999. "It is the biggest threat to

the whole industry, there is already worldwide overcapacity and it will only get worse," he says. That has persuaded Kvaer-

ner-Masa and its European in 1996, and reversed the 1.6 rivals to develop specialist per cent decline in passenger skills in cruise shipping. Their ability, moreover, to secure contracts from the

likes of Carnival or Royal Caribbean has been helped by government subsidies.

Kvaerner has benefited from a FM500m (\$90m) aid package from the Finnish government, spread over two years, But Mr Saarikangas says the subsidy amounts to less than 2 per cent of sales. and remains paltry against the 9 per cent subsidies enjoyed by Chantiers de l'Atlantique and Fincantieri.

Industry analysts suspect that the French and Italian and getting younger. yards get additional aid of almost 30 per cent of produc- generation of cruise passention costs. While declining to comment on the exact amount of aid, the shipbuild- with older ships. That means ers admit they could not more casinos, fitness cencompete without it.

Alain Grill, president of the French shipbuilders' association, told reporters last year: "European shipbuilding cannot survive without aid; every job lost in Europe remains an extra job in Asia.

The system of subsidies, although officially abandoned by the Organisation for Economic Co-operation and Development, has remained in place largely because of the US refusal to ratify the accord on international shipbuilding.

Fortunately for Kvaerner and others, continued state aid has coincided with increased demand from cruise operators. The big three – Carnival, Royal Caribbean and P&O's Princess Cruises - enjoyed pas-senger growth of about 10 per cent in the US market

The increase in North largely dictates passenger trends elsewhere, compared with growth of 6.35 per cent

competitive component suppliers. "All these yards realise they cannot take a loss-making order," says Mr Saarikangas of Kvaerner. That means cutting costs and increasing productivity. American demand, which To compete you must be profitable.

World retail pharmacy purchases: 12 months to November 1997 (\$m)

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US drugs growth slows

The growth rate in sales of prescription drugs in the US, the world's biggest market, slowed in the year to November, according to data from specialist market researchers IMS International.

The growth rate for the 12 months to November was 10 per cent, with sales at \$66.05bn, compared with a 14 per cent growth rate in the 12 months to October. Contributing factors

included the withdrawal of the slimming drug Redux. made by American Home Products, and patent expiries on two drugs, Zantac and Zovirax, made by UK company Glaxo Wellcome. There was also a decline in

sales of antibiotics and respi-

influenza season each win-The US performance

dragged down sales growth over the 12 months in 10 of the biggest pharmaceuticals market to 5 per cent, at \$165.9bn. That compared with a 7 per cent growth rate in the year to October, at constant currencies

Sales in the world's second biggest market, Japan, were down 1 per cent at \$42.4bn.

But they rose in smaller markets such as Italy and Canada. Italian drugs sales rose 5 per cent to \$8.6bn and in Canada sales were up 11 per cent to \$4.1bn.

By medical area heart drugs remain the biggest sellers with sales up 5 per cent, excluding exchange ratory drugs, both highly rate movements, to \$33.7bn. lependent on the timing of This concealed wide varia-

the start of the colds and tions in growth, with choles terol-lowering drug sales up 22 per cent and sales of an old but widely used class of blood pressure drugs, calcium channel blockers, down

Sales of Rezulin, a new diabetes drug sold in the US by Warner-Lambert, boosted figures for digestive system/metabolism drugs. Sales in that sector rose 4 per cent to \$27bn in spite of slow or no growth from ulcer drugs. .

The fastest growing sector remains nervous system drugs, a category which includes Prozac, the antidepressant made by US company Eli Lilly, and a new generation of drugs to treat schizophrenia. Nervous system drug sales rose 12 per

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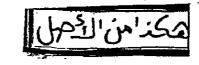
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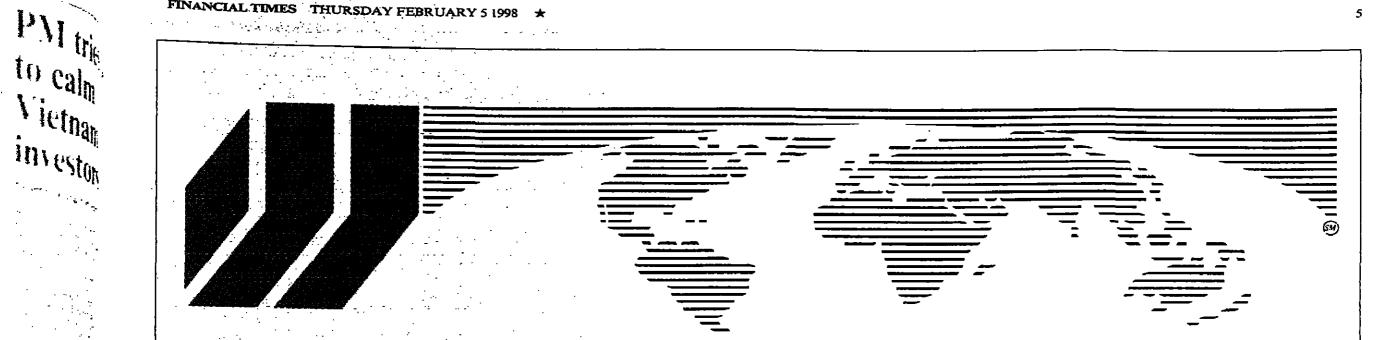
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US in export credit initiative for Asia

By Nancy Dunne In Washington and Peter Montagnon in London

The US has launched an international initiative to provide export credit finance to Asian countries facing difficulties importing the goods and components needed to financial system in some sustain their manufacturing industries.

The initiative, announced by the deputy Treasury secretary, Lawrence Summers. follows a proposal from Goh Chok Tong, prime minister of Singapore, for a multilateral scheme to guarantee

"There is a severe danger that the domestic recession in these [Asian] economies will be prolonged by a shortage of short-term trade finance," Mr Summers said. "Weighed down by debt, the cases has simply ceased to function - making it all but impossible for businesses to in congressional testimony obtain credit to import vital goods and materials," he

> Bankers in Indonesia and South Korea, the two countries worst hit by the credit squeeze, have said a short-

letters of credit to Asian age of credit is crippling companies. hopes that devaluation would enable them to export their way out of debt prob-

> Australia announced this week that it was making an unlimited special export credit facility available for

Mr Gob, after meeting

President Suharto of Indonesia on Tuesday, said his scheme would create a multilateral committee which could guarantee up to \$20bn in credits for Asia. Backing of \$8bn should be easy to organise, he said.

It was not immediately ore and farm products. clear how quickly such an Before the crisis, Austraamount could be assembled. however, given the different pared to export to Korea competition from US export-policies towards cover without insurance cover, ers into Indonesia," Mr adopted by export credit said John Moore, industry agencies in the industrial world.

Mr James Harmon, chair-

man of the US Export-Import Bank, said he would visit Europe next week to move the US initiative forward.

Both the US and Australia have stepped up export credits for South Korea, a particimporter of its coal, iron

Before the crisis, Austra- fierce, even on occlian companies were pre- asions actively avaricious, minister, but now they required guarantees. Australia's A\$300m (US\$200m) cover would support exports worth A\$1bn a year, he

said. John Howard, Australia's prime minister, announcing the programme for Indonesia, said one objective was ularly important market for use export credits to take Australia and a heavy market share from Austra-

Howard said.

"It is very important that my government and Australia stands up for the interests of Australian exporters and therefore of Australian

For the US, Mr Summers said the use of export credit facilities was "a win-win proposition" because it gave to ensure that the US did not an immediate boost to exports while speeding the long-term recovery of Asian markets.

Santiago

moves to

economy

Chile's central bank has

raised interest rates by one

and a half percentage points in an effort to prevent the

economy overheating.

In a brief statement late

on Tuesday, the bank said it

was acting "to support the

process of adjustment of

In private, bank officials

said domestic spending had been rising faster than

growth since the second half of 1997; both were running

ahead of the bank's official

forecasts for 1998, presented

events in Asia has also

begun to reduce Chile's

export revenues, specifically

from copper, its main export

earner. The price has

dropped from above a dollar a pound to about 80 cents,

which is expected to cut

exports by at least \$700m

Recent domestic and

external factors dictated the

latest measures, officials

said. But signs of overheat-

ing have been apparent for

Monthly growth, for

example, has been running

at above 8 per cent annual-

ised since September, well-

above the 6 per cent the cen-

expected for the year as a

The central bank's new

benchmark interbank rate

will be between 8.5 and 9.3

per cent in real terms. Its

this year.

some time.

in September last year. Since then, the impact of

domestic spending".

cool

Fed holds its fire on rates

The US Federal Reserve left interest rates unchanged yesterday at 5.5 per cent, confirming the benign inflationary outlook for the US economy. The decision, made at the year's first meeting of the policymaking Federal Open Market Committee, had been widely. expected. Although the economy grew by a faster-than-expected 3.8 per cent last year, there has been ÷ ÷

little sign of inflation re-emerging.

Last week Alan Greenspan, Federal Reserve chairman, warned that the effects of the Asian economic crisis were likely to trigger a slowdown in US growth later this year, prompting market speculation that the Fed's next move might even be to lower rates. Mark Suzman, Washington

COMPUTER INDUSTRY

Chip speeds accelerate

The remorseless acceleration in the performance of computer chips continues, with three manufacturers this week announcing breakthroughs in the "clock speed" of their microprocessors. Intel, the leading chipmaker, is unveiling the latest version of its Pentium II processor. measured at 450 MHz, which will be available to buyers of computer servers and workstations in the second half of

At the same time both International Business Machines and Digital Equipment, which recently agreed to be acquired by Compaq Computer, are demonstrating future

chips with a clock speed of 1,000 MHz.

The fastest Intel chip on computers today runs at 333 MHz. The clock speed is one of the factors that determines

the overall performance of computer chips.

Nicholas Denton, San Francisco

BRAZILIAN JOBS

Slowdown hits labour market

Unemployment in Brazil last year reached its highest level since 1992, in one of the first signs that the slowdown in economic activity resulting from the Asian crisis is beginning to affect the labour market.

The average rate of unemployment throughout the year was 5.7 per cent, against 5.4 per cent in 1996, according to the Brazilian government's Institute for Geography and Statistics (IBGE).

Apart from 1992, when the Brazilian economy was in a recession provoked by the failed Collor economic stabilisation plan, last year's unemployment figure was the highest since the early 1980s. The 4.84 per cent jobless rate in December, usually a month of heavy economic activity, was the highest since 1983. Geoff Dyer, São Paulo

■ RETAIL BANKING

US bank charges under fire

Charges for US retail banking services have increased by more than the rate of inflation over the last three years. according to a survey released by a consumers' lobby group. Small community banks and mutual credit unions immediately asserted that the rises were due to widespread mergers in the industry, which have created several large banks.

The biggest change has been seen in charges for automated teller machines (ATMs), which are under attack in Congress. According to the Consumer Federation of America, the average amount charged by banks for transactions at their own ATMs increased by 64

Over the same period the charge for cashler's cheques increased 10.2 per cent, and for money orders by 12.6 per cent. The average monthly charge for a regular cheque account is \$6, while the charge for returning a cheque due to insufficient funds is \$17.39.

However, banks disputed the findings. The Independent Bankers' Association of America said the comparisons were misleading as they did not distinguish between large banks and community banks. John Authers, New York

MILLENNIUM BOMB

Airline safety 'at risk'

The US Federal Aviation Administration is not properly addressing potential computer problems arising from the year 2000 "millennium bomb", potentially putting airline safety at risk, two reports have warned.

According to studies by the General Accounting Office and the transportation department, the FAA is particularly vulnerable to the problem, which arises when computer systems use two digit dating systems and are unable to distinguish between the year 2000 and 1900. "At its current pace [the FAA] will not make it in time,"

the GAO report says. It warns that potential problems

include "degraded safety, grounded or delayed flights, increased airline costs and customer inconvenience FAA officials insist safety will not be threatened and that all affected systems will be fixed in time. However, Stephen Horn, a California congressman who chaired hearings on the issue yesterday, warned that the problem

could ground up to half of all flights.

Buenos Aires nears \$2.8bn IMF accord

The board of the ber's budget before the International Monetary Asian crisis broke with full Fund in Washington was yesterday set to approve a three-year \$2.8bn extended fund facility for Argentina. accord, inflation is expected The accord sets a target for this year's fiscal deficit of \$3.5bn, against last year's \$4.5bn target, which Argentina narrowly bettered.

The government has also committed itself to that measures adopted by restraining the trade deficit the government since the to no more than \$5bn this year, implying a current account shortfall of about 3.8 helped strengthen the bankper cent of gross domestic

product It has agreed to take "corpoint during the year if the trade target looks like slipping out of reach.

The letter of intent explic- system. itly recognises that recent turmoil in the international financial markets will affect Argentina's trading partners and the country itself. It acknowledges that GDP

cantly" from last year's esti- year-end. mated 8 per cent, but

for GDP growth this year. unveiled with last Septemforce, remains at 5.8 per

Under the terms of the to remain at less than 2 per cent annually, better than the average forecast for Argentina's trading part-

The agreement recognises Mexican, or "tequila", financial crisis in 1995 have ing system.

It points to the privatisation of provincial banks, a rective measures" at any series of mergers and liquidations, and increased direct investment by foreign banks as positives for the banking

On structural reform, the government has committed itself to an overhaul of the country's antiquated labour laws by the middle of the year and moves to make the growth will slow "signifi- tax system more efficient by

However, union leaders expresses the hope that it are likely to oppose reforms will bounce back quickly. on this scale.



Monica Lewinsky (centre) hugged by her father in Los Angeles

Federal prosecutors have shifted the focus of their investigation into allegations of an affair between President Bill Clinton and Monica Lewinsky, a former White House worker, to whether she withheld testimony until receiving a new job in New York, Mark Suzman

reports from Washington. Records show Ms Lewinsky visited the White House as many as 37 times after being transferred to the Pentagon in April 1996. Her most recent visit was late last December shortly after she was subpoenaed to give evidence about an alleged relationship with Mr Clinton

(which he denies) in Paula Jones's sexual

harassment case. However, it now see she withheld filing a sworn affidavit denying such a relationship until receiving a job offer, apparently at the recommendation of Vernon Jordan, Mr Clinton's friend and adviser.

The new revelations came as special prosecutor Kenneth Starr considered a new offer from Ms Lewinsky's lawyer in which she would testify in exchange for immunity. Negotiations broke down last week. The White House is considering invoking executive privilege to stop Mr Starr subpoenaing administration officials. It also plans a defence fund to help pay the president's legal bills.

Massachusetts counts its hi-tech aces

Victoria Griffith reports on why there were few tears for the takeover of DEC

once mighty computer group Digital Equipment Corporation by Texas-based Compaq. The news came as no great surprise. DEC had been on a downward spiral for at least a decade: since the late ity of dozens of small start-1980s, its work-force had shrunk from 133,000 to 54,000. DEC employees even expressed some relief that 1996, venture capitalists gave the association with Compag might bring the group some

All of which shows just Silicon Valley. how far Massachusetts has tumbled since its high technology glory days of the 1970s and early 1980s, when the words "Route 128" - the cluster of cutting-edge companies encircling Boston were as powerful as "Silicon Valley", and when the employment in Massachu-

here are few tears in names of giants such as setts is expanding rapidly, of a desire to climb the cor- technology start-ups in Mastongue. All have now been purchased or have shrunk almost beyond recognition.

While the high technology sector in the state is far from ing large companies headcrippled, thanks to the vitalups. Massachusetts now appears content to play second fiddle to California. In Massachusetts companies \$831.5m. The same year, they sank \$1.8bn into groups in

The region has many vibrant corporations, includ-ing the enormously successful computer group EMC. but none with the name-recognition value of, say, Net-

scape. And while high technology

Massachusetts over DEC, Lotus, Wang and Data many of the companies the purchase of the General tripped off the growing most rapidly in the region - such as Sun Microsystems and 3Com - have headquarters in California. "There are risks to not havquartered here" says David Yoffie, a professor at Harvard Business School. "Headquarters provide a fer-

> future management and launching new spin-offs." AnnaLee Saxenian argued in a 1994 book called "The Regional Advantage" that Massachusetts' problem may lie in New England's straitlaced culture.

> tile ground for training

"In California, information flows more freely between companies," says Ms Saxen-"In Massachusetts. there's more secrecy and

By Richard Tomkins

chilly weeks of the low sea-

in the hotel of your choice -

mean that hotels are in

year. The figure falls below

the rooms left vacant in Jan-

uary and February and at

weekends outside the tourist

At other times, most busi-

ness and leisure travellers

arriving without reserva-

tions face the prospect of a

desperate search for accom-

hotels costing much more

than they, or their compa-

nies, had planned to pay.

or indeed, any room at all.

post-war record.

in New York

porate ladder... She argues that even Massachusetts' venture capitalists, made up largely of bluebloods, are more risk-averse than their Californian counterparts. "People in Massachusetts dress less exuberantly and appear more family-oriented," she

explains. "In Silicon Valley, it's paper aeroplanes and popcorn parties at work. Massachusetts still holds some aces in the high technology battle between the states: an extremely innovative work-force. The venerable Massachusetts Institute of Technology provides a constant pool of talent to the area, and Massachusetts still produces more patents per capita than any other state

sachusetts are running strong. Software and communications alone have added more than 20,000 jobs in the state, since 1992. "For a while there, it

looked like the high technology sector in Massachusetts was just going to up and die," says Paul Gudonis, now president of GTE Internetworking Services, and formerly of the Cambridgebased internet group BBN. "The last five years have

really seen a renaissance." Even Silicon Valley companies recognise the advantages of the region. Sun Microsystems says the main reason it is expanding in Massachusetts is to tap the state's abundant talent, increasingly scarce in Silicon Valley because of the

main impact is likely to be on investment. David Hurd. chief analyst at Merrill Lynch's Santiago office. "Typically, these rates

will deter corporate short-term borrowing for working capital - bridging loans, for example, for the start-up of new projects." The immediate impact of the increased rates should calm the local markets after several weeks' volatility. The central bank had

begun a severe squeeze from mid-January by raising its overnight rates. Its main motive was to try to reduce speculation against the peso, which had seen its value fluctuate sharply from October, losing as much as 13 per cent at its lowest

in the US. Indeed, after a low company loyalty, and more point in the early 1990s, high fierce competition there. Too few hotels were built in New York during the 1990s, but change is on the way

oss of staying power in the Big Appl

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INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF NITROGEN FERTILISERS INDUSTRY (A.E.B.A.L.) S.A.

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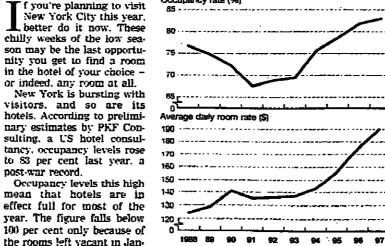
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New York City hotels: book now



port hotels or in New Jersey - or develop sudden yearnings to re-establish contact with long-lost friends and relatives in the city.

Why the crush? Travel and tourism is rising in most Some trade up to luxury parts of the US, largely because of continued economic growth. But in the US as a whole, hotel occupancy The more thrifty stay far levels are falling because the away from Manhattan in air- rate of new hotel building is



exceeding the growth in ness visitors and tourists

demand. New York, in contrast, has seen very little hotel development in the 1990s because, even though occupancy levels and room rates have risen, high real estate and construction costs have cing for new projects.

than at any time in its hiswell-publicised efforts to crime. The number of murders fell from 984 to 767 last tion. made it difficult to get finan- year, the lowest figure since

Meanwhile, New York has "New York as a city has lyn, now nearing complebeen attracting more busi- never been cleaner, safer tion, is about to become the

tination," says Arthur Adler. a partner with Cooper & Lybrand's lodging and gam-ing consultancy in New planned. But John Fox, York. "It's got it all going for

York Convention & Visitors Bureau, the number of business and leisure travellers boom-and-bust cycle which arriving in the city reached a record 31.9m last year, and the bureau expects the figtire to climb to 32.5m in 1998, putting an even greater burden on the available hotel

In response to the rising demand - and the resultant increase in room rates, which rose nearly 10 per cent last year - some hotel way, but not enough to make much short-term impact on the room short-

tory, thanks to the city's Marriott Courtyard hotel and the Fitzpatrick Grand clean up the streets and Central are being converted parks, revitalise Times from office buildings. Square and crack down on and another Marriott Courtyard hotel is under construc-

New York Marriott Brook

and more attractive as a des- area's first new hotel in 68 years.

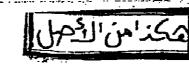
At least 20 other hotel prosenior vice president of PKF Consulting, says many will According to the New never be built because of well-founded worries among bank lenders about the so often hits the hotel indus-New York has seen hotel

building booms in the past -

most recently, in the mid-1960s and from the late 1970s to the mid 1980s - only for them to have ended in overcapacity, declining room rates, and defaults on bank loans. Mr Fox says that in 1991,

projects are getting under the hottom of the last cycle, overcapacity in the hotel industry was so severe that more than a third of the hotels in the US were failing In midtown Manhattan, a to earn enough operating profits to pay the interest charges on their debt.

"Lenders are very conservative today, particularly because of what happpened in the most recent cycle." Mr Fox says. "They really got In Brooklyn, the 374-room hurt badly in 1991, 1992 and 1993. So it wasn't very long ago that things were considerably worse."





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HK banks warned over profits By John Ridding in Hong Kong property: exposed in Hong Kong End December 1997' Amount outstanding As % of loans for inse in HK As % of loans rose to about 44 per cent of banks had budgeted for real banks had budgeted for r

Hong Kong's banks this year can expect slower loan growth, narrower interest margins and a rise in bad debts, a senior industry regulator warned vesterday.

But David Carse, acting chief executive of the Hong Kong Monetary Authority. said problems in the industry arising from the regional financial upheaval would be limited to pressures on profitability. There would be no threat to solvency.

"This is one of the worst financial crises to hit the world this century." said Mr Carse, "But so far we see the impact in Hong Kong as falling within the normal range you would expect in a down-

accounted for less than 2 per cent of total lending at the

2.0 Industrial 0.1 Residential

99.1 32.7

end of September. The finan- US dollar, prompting an cial standing and manage- abrupt downturn in the ment of the territory's banks economy. Property prices

were strong. Interest rates have risen in He said that bad loans recent months amid fears about the linkage of the Hong Kong currency to the

Residential

HKMA guidelines of 40 per

However, Mr Carse said the risk of concentration was mitigated by several fac-

Mr Carse said overdue mortgage loans accounted for only 0.1 per cent of the total at the end of last September. Banks had continued to apply prudent lending criteria and previous downturns in the sector had shown only a slight increase in non-performing loans.

Mortgage lending slowed sharply in the fourth quarter of last year. The HKMA expects total loan growth to slow to between 10 and 15 per cent this year, compared with 23 per cent in 1997. Combined with tighter mar-

sonable profits this year. While much depended on the trend of money market interest rates, he said the fall in Hong Kong inter-bank offered rate over recent days

was encouraging. Three-month interest rates fell to 9 per cent yesterday, from just under 10 per cent late on Tuesday. Last month they climbed to 14 per cent as the regional crisis intensified and fears grew for the Hong Kong dollar.

In spite of the severity of the regional downturn, Mr Carse said Hong Kong's banks and other institutions were stronger and better managed than some of their counterparts elsewhere in Asia. "We have not seen the problems of Thailand or Indonesia," he said.

recession loans

By James Harding

China will allocate Yn100bn (\$12bn) for housing loans this year, to encourage bome ownership and spur the fledgling residential property market.

The commitment to building a mortgage industry is part of a series of property market reforms. Beijing is trying to encourage more people to buy their own mes and ease the burden on the state, which has for more than a generation provided housing for Chinese citizens.

Encouraging lending to stimulate housing purchases is also one of a range of measures the government has identified as a way of reinvigorating domestic demand growth.

Hou Jie, China's construction minister, announced that Yn100bn had been earmarked for housing loans in an official report issued yesterday. He said he expected "rational and stable growth in real estate development and investment during 1998".

Apartment sales to private citizens in mainland China were worth Yn42.1bn in the first 10 months of 1997, up 41.8 per cent from the same period in the previous year, according to the report published by Xinhua, the official government news agency. New house building also grew rapidly, as nearly 1bn sq m of new homes was built last year.

Beiting has sought to ease some of the restrictions on individual borrowing to enable the growing middle class own their own homes - a few state commercial banks have been allowed to start mortgage services and a lending plan has been introduced to help low- and

medium-income working families buy houses. Traditionally, the state or the work units of stateowned companies have provided accommodation.

Recession. The official L Japanese statistics may be dismal: the economy contracted by 1.4 per cent in the six months to September last year, new vehicle sales last month fell 24 per cent while supermarket sales figures for 1997 fell 2.8 per cent. But the streets are not filled with the homeless, high street shops are not boarded up

Yumino Tanaka, a 24-year office worker, recently spent Y3.5m (\$27.700) on a fourwheel-drive Mitsubishi and has also taken a holiday to Hong Kong on a shopping tour. "I didn't like the car I bought a year ago so I decided to change it for a new one," she says blithely.

and there is evidence of

pockets of spending.

Ms Tanaka is not the only one with the propensity to spend. In Shibuya, one of Tokyo's main shopping areas popular with the young, the streets are packed and there is a five-minute queue to pay for a compact disc at Tower

"The young are among the few groups supporting consumption in Japan at the moment," says Ken Egusa. retail analyst at UBS in Tokyo. Those in their 20s with jobs but no dependants and teenagers who work part-time are buying personal items including clothing, footwear and accessories, and taking trips abroad. European luxury goods

manufacturers are still experiencing steady demand. Bulgari, the up-market iewellers, for example, expects turnover for the past year to increase 26 per cent and plans to open more stores. Although not spending as lavishly as during the economic "bubble" of the late

says that over the past cou-

1980s, consumers in the top income brackets have not turned the tap off completely either, say analysts. Toshiko Binder, retail analyst at HSBC James Capel in Tokyo.

China and Japan yesterday took a significant step towards improving relations when they agreed to resume break of more than eight years, Michiyo Nakamoto reports from Tokyo. Chi Haotian, China's min-

ister of defence, and Fumio Kyuma, director general of Japan's defence agency. agreed in Tokyo thatmilitary leaders from China and Japan should soon visit each other's countries. They also agreed Mr Kyuma should

visit China early this year. The meetings will be the first top-level defence discussions since the 1989 Tiananmen Square massacre.

spending, while those with higher incomes seem to have been less affected by the downturn.

But spending by the rich and the young has not offset the fall in consumption by the country's core spenders people in their 30s and 40s. Comprising a third of the population, they have been the main buyers of household goods, electronic equipment and cars. Faced with declining incomes and increasing uncertainty over iohs, many households have deferred spending on large ticket items.

Office workers, who bought property and have mortgages - often lasting more than 30 years - have become especially cautious. Economists warn that things could get worse, especially unemployment, now at a record high of 3.5 per cent and expected to rise. Although the government has announced cuts in income tax of Y26,000 per worker over next month, scepticism is rising over its effectiveness in fuelling consumer demand

Emiko Terazono

Move seen as a way to force industrial conglomerates to restructure

have fallen by more than 30

per cent since last autumn.

raising concerns about the

Mr Carse described prop-

banking sector.

Korea to allow foreign takeover bids

By John Burton in Seoul

Foreign investors will be able to make hostile takeover bids for South Korean companies in a move designed to force the nation's leading conglomerates, or chaebol, to restructure.

The proposal announced yesterday by Korea's new government (already signalled in the International Monetary Fund rescue package agreed last month) is a part of programme of measures that will probably result in debt-laden industrial groups abandoning excess diversification and concentrating on core businesses.

Under legislation to be submitted to parliament this month, foreign investors can buy up to a third of a company's shares without the approval of its board. This could make most of the top 30

chaebol vulnerable to foreign takeovers since current owners control on average only 27 per cent of Foreign investors will no longer be required to gain state approval for

takeovers of companies with assets

of Won2,000bn (\$1.3bn) or more,

although defence and other strategic

industries such as the electricity monopoly will remain protected. Corporate defences against hostile

holdings among chaebol subsidiaries. Analysts said the chaebol, which are suffering from capital shortages because of slower sales, will be forced to reduce their sprawling

takeovers will also be improved, shareholders to challenge manageincluding easing rules on share buy ment, including the dismissal of causing Korea's financial crisis by backs and allowing increased cross- executives, through collective lawsuits.

23.5

Banks will be encouraged to conduct debt-for-equity swaps that will owners, while helping companies to

The trade unions have indicated they would accept labour reforms if the government took steps to reduce the power of the chaebol's family owners

empires by selling subsidiaries to solve financial problems caused by raise funds if they are to protect large debts. their most important businesses against hostile takeovers.

Other measures to force the chaebol to reform include imposing tax penalties on excessive borrowing and debt payment guarantees among subsidiaries.

The chaebol will be required to

produce consolidated financial accounts from fiscal year 1999, an important step toward corporate

New powers will given to minority

The chaebol will be expected to submit plans for recapitalisation or debt reduction when applying for new loans from banks.

The reforms are linked to efforts to introduce labour market flexibility to allow the sacking of workers who now enjoy lifetime employment guarantees.

The trade unions have indicated they would accept labour reforms if the government took steps to reduce the power of the chaebol's family

less industrial expansion. The dissident Korean Confederation of Trade Unions vesterday threatened to stage a limited strike

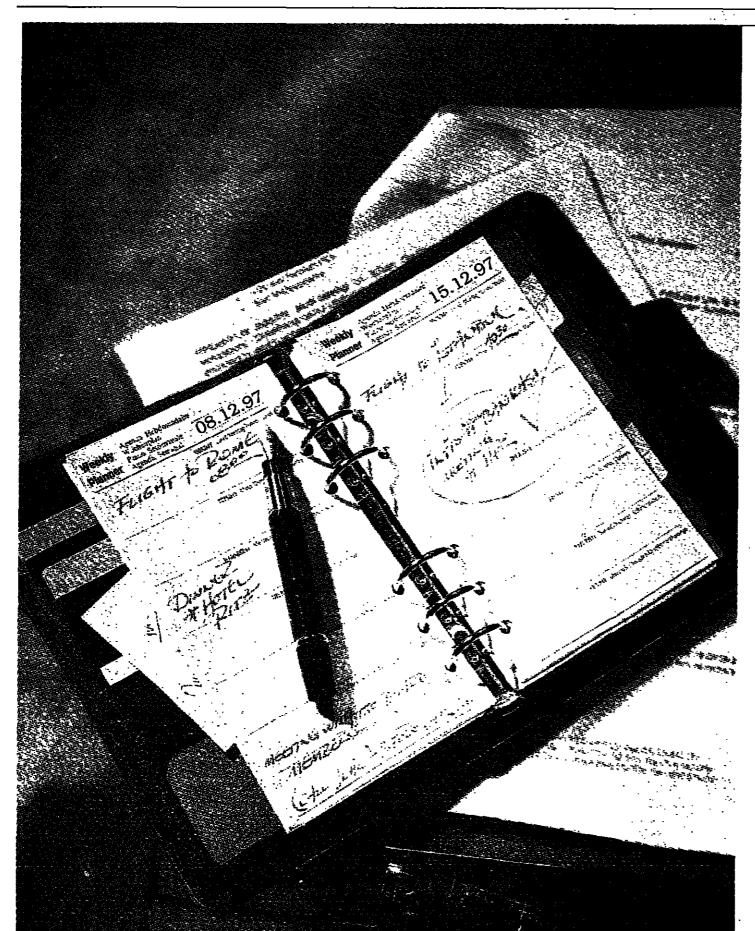
borrowing heavily to finance reck-

action tomorrow to protest against the labour reform unless the government took strong action against chaebol owners. The union group claimed workers were so far bearing the brunt of the nation's economic

Analysts expect a wave of foreign takeovers in Korea, which has long discouraged investments from abroad, if the reform legislation affecting the chaebol and labour are approved.

Foreign investors, mainly hedge or mutual funds, have already become the biggest shareholders in 16 companies since the foreign shareholding limit in listed companies was raised to 50 per cent in December.

The chaebol also might be forced to swap businesses to promote concentration in core industries, such as Samsung possibly exchanging its new car unit for Hyundai's ailing semiconductor business. Hyundai is Korea's leading car producer, while Samsung is the biggest semiconductor company.



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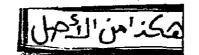
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Israel confirms new settlement plans public backing

By Judy Dempsey in Jerusalem

Israel's interior ministry yesterday confirmed it had approved plans to build a new Jewish settlement in Ras al-Amud in east Jerusalem, a decision which Palestinians said could "kill the peace process

The approval, published in the government's official gazette, was welcomed by Ehud Olmert, mayor of Jerusalem, but criticised by Benjamin Netanyahu, Israel's

It coincides with growing frustration by Washington in its attempts to revive the failure to persuade Israel to stop taking unilateral steps such as expanding existing settlements or building new

Moreover, the decision is the last thing Washington wanted while Madeleine Albright. US secretary of state, tries to muster support from the Arab world for a possible US strike against Iraq. Some Arab states have been critical of Washington's inability to moderate Israel's hardline stance on the Middle East peace negotiations.

"If the plan goes ahead." said Saeb Erekat, chief Palestinian negotiator. "it reflects Israeli intentions to kill the peace process. This is a very serious and danger-

would not block the project. When the government approves building projects, it does not do so in order not to build. Please explain to me how I could go against the approval by the interior

Mr Olmert, standing again as mayor in elections due later this year, has, like Mr Netanyahu, always defended building anywhere in Jerusalem even though the future of the city is supposed to be left until final status

ministry."

His plans to build on Ras al-Amud were thwarted last summer when Mr Netanyahu, under pressure from the US, blocked plans by Irv-But Mr Olmert, a rival of ing Moskowitz, a Miami-Mr Netanyahu, said he based millionaire and Ortho-

in Ras al-Amud because it was a "security risk". But the interior ministry's decision could give Mr Olmert sufficient leverage to press

ahead with the project. Israeli and Palestinian peace activists have criticised the project because it links permission for Palestinians to build 600 homes on Ras al-Amud to Jews building there as well Such permission by the

interior ministry had been held up until last month, when Palestinians sought construction approval through the Supreme Court. The court asked the interior ministry to issue a decision. "The approval [for the two projects] was granted," said

dox Jew, to build 132 homes Matityahu Houta, the Jerusalem district commissioner at the interior ministry.

Much will depend on how Mr Netanyahu wili respond. David Bar-Illan, his senior adviser, said there would be "no construction. There have been many indications that it will disturb the balance of life in Jerusalem at this point".

But even if the prime minister postpones any construction, the government has already approved an even more controversial plan - the E-1 development scheme. This is the first time in which a Jewish settlement, Ma'ale Adumin, the largest and most populous settlement in the West Bank, would be linked directly to the city of Jerusalem.

According to a report published by the Foundation for Middle East Peace, a Wash ington-based independent research centre, the E-1 scheme would develop "Israeli Greater Jerusalen and its satellite settlement cities as an economically viable metropolis spread over the West Bank's core, and integrated within Israel." Arah east Jerusalem it added, would end up being a "permanent and disconnected sprawl of predominantly squalid neighbour-hoods". It would be completely cut off from its

West Bank hinterland. Municipality officials said the E-1 plan was scheduled to begin in about two years.

UK bids to win for Iraq action

By David Buchan, in London

UK government yesterday launched a publicity campaign to highlight possible weapons of mass destruction accumulated by Iraq, in a clear bid to get public backing for any British military action with the

As he flew to the Gulf for talks with Saudi Arabia and Kuwait, Robin Cook, the UK foreign secretary, yesterday sent every British MP a paper detailing the success and failures of United Nations inspectors in uncovering chemical and biological weapons developed by President Saddam Hussein. who is accused of "persistent duplicity and evasion".

The paper contains information mostly already released by the UN Special Commission (Unscom), set up after the 1991 Gulf war to monitor fraqi disarmament. But its publication was taken as a further sign that Tony Blair's government is gearing up to join the US in military action, if diplomacy

The thrust of the paper is that Unscom has been unable to match "output" with "input" in two key

 Of a substance called growth media - used to grow biological spores which Iraq is known to have produced or imported. 17 tonnes is unaccounted for. This would be enough, says the paper, to make three times more of the deadly anthrax biological germ than Iraq admits.

 On the chemical weapons (CW) side, 4,000 tonnes of precursors, or components. has not been accounted for. In addition, more than 600 tonnes of potential precursors for VX nerve agent which iraq is known to have produced or imported have not been traced. This missing amount would apparently be enough to make 200 tonnes of VX, of which one

But commenting on the paper, Whitehall officials admitted that they could not be sure what stocks of these weapons existed, still less where they might be. However, they refused to answer any questions about the advisability of bombing such stocks, particularly in the light of the paper's claim that if released into the atmosphere from a tall building, 100kg of anthrax could

kill up to 3m people.

Monitoring by Unscom remains vital, according to the paper. Iraq has four plants which have been used to produce CW munitions, and 30 which could be converted to produce CW materials. "These factories cannot be destroyed because they have legitimate alternative civilian uses", says the paper, "but it is important they are monitoried closely". In the absence of monitor ing, it claims, Iraq could produce chemical and biological weapons in weeks and a long-range missile in a year. However, "trying to bomb

Saddam into compliance could prove counterproductive", according to Neil Partrick, a Middle East expert at the Royal United Services Institute in London, George Joffe, director of studies at the Royal Institute of International Affairs, said yesterday that the "evidence is that Saddam will let the inspectors back in, if he is bombed", though he cautioned that military strikes would damage US and UK interests in the Arab world.

Technically, there were also doubts about whether so-called "bunker-buster" bombs could really penetrate weapon sites so as to produce "a controlled vaporisation of poisonous gases inside". Mr Partrick said. Another option would be to attack the regime's militarypolitical infrastructure, but this would appear to smack less of concern about weapons than of a straight bid to topple Mr Saddam, which the west had said was not its primary aim.

See Editorial Comment and

Rush for the spoils of Africa's Kuwait

Antony Goldman finds the reality amid the rags and riches of a tiny country that struck oil

he capital's two hotels, deserted and without running water or electricity just a few years ago, now boast satellite antennae, imported beer, testy oil workers and businessmen hoping to board Africa's newest gravy

The statistics for the Republic of Equatorial Guinea, explain why: the economy grew by more than 40 per cent in 1996 and about 50 per cent in 1997; oil production, virtually nil two years ago, now tops 80,000 barrels a day; and the biggest operator. Mobil. is seeking to invest \$1.2bn to expand and develop the sector still further. All of this in a country with a population of just 400,000 that was, until recently, almost entirely dependent on aid.

mer Spanish colony, known also being forged.

tive. "It's an exciting prosand the environment is very encouraging." Government officials, how-

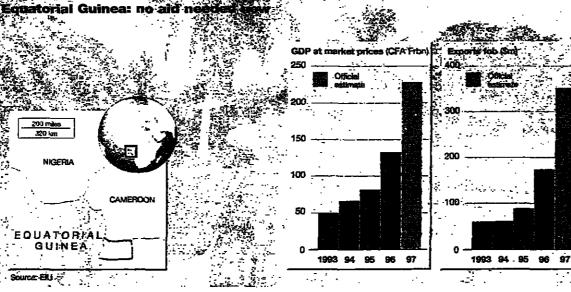
Democratico de Guinea Ecu-

under his predecessor has three direct flights to self-styled "Unique Miracle"

planned, while new links to need to talk about new ideas royalties, tax thresholds and here," says Art Green, said. "After all, we are stake-Mobil's senior local execu-holders as well."

pect, the people work hard respond cautiously, "Sensitive negotiations are conever, are less enthusiastic. and breaking the new "The oil companies are getground." Three US-based ting rich while our people independent oil companies receive nothing," complains United Meridian Corporaa senior, conservative offition, CMS Nomeco and Tricial in the ruling Partido ton - have hopes of matching Mobil's success.

Teodoro Obiang Nguema oil independents - CMS with political uncertainty. Mbasogo, the president, who Energy, Nomeco's parent official corruption, govern-



Once among the least in 1979 led the coup which company, and Samedan Oil. accessible countries, the for- ended a decade of tyranny a subsidiary of Noble Affiliates - last week completed a then as Fernando Po, now Macias Nguema - the \$300m deal with the government for the construction of Europe a week and more - is more circumspect. "We a methanol plant outside the capital, the biggest project in

neighbouring capitals are with the operators, to look at Equatorial Guinea's history. This will be hugely beneequity participation," he ficial to the country," said James Cook. a CMS official. Mobil and other operators people, money for the gov- faded elegance of Spanish destine movement fighting repression has eased and flaring of gas." The new tinuing," said one executive, industry could generate rev-"but we are taking the risks enue equivalent to a further

25,000 b/d of oil. Oil companies were attracted to Equatorial Guinea in the early 1990s because of the favourable terms they received. Smaller companies fear that contrac-Meanwhile, two other US tual revisions, combined

ment inertia and ethnic ten- and frustrated expectations that while the new commersion, will constrain efforts to bring in new players.

"Obiang is 20 years ahead of his ministers in his way of thinking and doing business," says one executive. "and that can create problems at the level of implementation." Four-wheel-drive vehicles

"It will bring jobs for local meandering along the long incidents involving a clan-least here in Malabo, ernment and help stop the colonial boulevards are indications that a small élite is, however, already managing to enjoy a slice of the new wealth Development priorities,

though, seem at best eccentric: for a privileged few mobile phones are all the rage, while in many parts of the country electricity and

running water are longforgotten luxuries. Developing inequalities

have stirred old ethnic tensions. State radio recently reported an unprecedented attack against a police station 50km from the capital Malabo in which four soldiers were killed.

There were other reports of additional casualties and ritual killings in a series of for independence for the it is easier for us to island part of the country. Government officials have Nigerians were involved in already sensitive dispute maritime border between the two countries, where Mobil's

Zafiro field is located. ised only in 1992, believe partners."

nevertheless been benefits. "Now the country is less. isolated," concedes Placido Miko of the Convergence for Social Democracy. "With so many foreigners around, at drop is said to be enough to

Meanwhile, government hinted that they believe officials believe oil has the capacity to transform Equathat even our biggest needs over the demarcation of the can be met," said Mr Obiang. Opposition parties, legal- and co-operation from our

operate.

cial interests are helping to

sustain a political system

they still regard as corrupt

and dictatorial, there have

Industry paying the violence, which could torial Guines into an African further complicate an Kuwait. "We are so small already sonsitive dispute that even our biggest peeds "We refuse to repeat the mistakes made by our neighbours. All we need is trust

By Frances Williams in Geneva

Alcohol and drug abuse at helping those already having work costs the world's indus- problems, preventive stratetrialised economies billions of dollars a year in lost output, with young low-skilled male workers the most affected. according to a panies in five countries that report for the International Labour Organisation.

The report, by the Toronto-based Canadian Centre on ILO and two other UN agen-Substance Abuse, also notes that 70-80 per cent of all accidents and other alcoholrelated problems occur among moderate drinkers, rather than heavy drinkers who have learned to cope with their habit.

About 3 per cent of workers may be alcohol- or drugdependent, and another 8-10 per cent suffering the early effects of substance abuse, according to ILO experts who met this week in Geneva to discuss the report

While employers have traditionally tended to concentrate on counselling and gies aimed at the general work force seem more effective, the experts say.

More than half the 38 comtook part in a five-year experimental prevention programme sponsored by the cies reported a drop in alcohol and drug-related problems, mainly in reduced absenteeism, lateness and discipline difficulties. Washington is backing Juan Somavia, Chile's

ambassador to the UN in New York, to succeed Michel Hansenne of Belgium as ILO director-general when the ILO's governing body votes next month. The only other declared candidate is Maria Nieves Roldan-Confesor, former Philippine labour secre-

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INVITATION TO A PUBLIC TENDER FOR THE HIGHEST BID CONCERNING THE SALE OF THE LAND - PLOT (WITH WAREHOUSE) IN THE MAGOULA AREA OF THE ATTICA PREFECTURE OWNED BY "SHIPYARDS OF GREECE" S.A.

- . The HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. (ETBA), the only shareholder of "SHIPYARDS OF GREEGE" S.A., and on its behall, calls a Public Tender for the Highest Bid according to Law 2000.9" for the sale of the land plot situated in the area of the Magoula Community in the Atoca Prefecture, along with the wavehouse situated in the land plot, owned by "SHIPYARDS OF GREECE S.A.".
- The asset on sale is a land plot with a lotal area of 35,150 29 mr not included in the form plan and within the area of the future expansion of the fown plan, looking on to the road connecting the motorway with the Ragoula Community from the new Elefsina Intendhange. The land - plot is at a distance of approximately 1,000 metres from the Megoula softlement, and approximately 200 metros from the rew Stavros - Elefsina motorway. On the land - plot, there is an old warehouse with a total area of approximately 2,000 mf. This warehouse is leased to MAGE S.A. a subordiary of ETBA.
- The parties interested in submitting an offer may visit the asset on sale, and/or receive information for the essential terms of the contract of the warehouse lease, after communicating with ETBA.
- This Public Tender for the Highest Bid is carried out within the framework of the provisions and terms specified in this invitation. The submission of a binding offer implies the unreserved acceptance of all these igross The submission of the sealed written binding offers shall be made by the interested parties in person or through a duly authorised person, not later than 27 02.98 at 14:00 hours.
- Overdue offers as well as offers not accompanied by a guarantee lotter (cf. paragraph 5 below) shall not be accepted. Offers shall be binding and should accurately quote the proposed purchasing price of the land in plot, as well as the payment terms in detail, in cash or by credit, stating the number of instalments, their payment terms and
- (a) the method of payment, (b) the interest bearing or non interest-bearing nature of the instalments and (c) the interest rate of the instalments, are not stated, it shall be assumed, for the calculation of the pince, ther (a) the amount shall be paid in cash, by the instalments shall be computed on the basis of the interest rate applicable to the last one-yoar interest-bearing bonds of the Greek State assued Offers should not include terms conditioning their binding nature or involving ambiguities as far as the amount or the payment conditions of the offered price are concerned or any other issues which are essential for the sale. ETBA reserves the right, under its unquissionable judgement, to reject offers including terms and conditions insepective although such offers outweigh others, or consider such terms not valid, in which case the offer remains british as to
- Offers shall be accombanied by a guarantee letter by a Bank legally operating in Greece for the amount Gr.D.50.000.000 or for the equal amount in US dollars, calculated on the basis of the official Fuling rate cookshed by the Bank of Greece on the date before the offer is submitted. A draft of this guarantee letter may be recovered by the interested pointes from ETBA.
- In case the buyer that has submitted a guarantee letter, even though has been announced as the highest bedeen violates any terms of this Tender or does not meet his other obligations stigulated by this invitation or does not appear and sign the relevant contract within twenty (20) days from the relovant invitation of ETBA, the amount of Cr.D.50,000,000 guaranteed in the guarantees letter shall be inferted in Isavor of ETBA in order to cover any land of expenses and costs for its senerges, as well as any positive or consequential loss, without ETBA being table to nomines evidence for such emerces and costs, and in any case as a penal clause which is unreservedly accepted
- The guarantee letters submitted for the participation in this procedure, shall be returned to the other Tenderers after the adjudication. to the second in line of the classification table upon signing of the contract and to the buyer upon full import of the terms of the transfer contract.
- In addition to their limancial offer, interested buyers should also submit a proposal for the guarantees provided or order to secure any pince on credit The main criteria for the evaluation of the offers shall be the proposed pince and itees provided in order to secure any price on credit. It should be noted that in case of an offer whereby a part of the price is to be paid on credit, its evi-
- based also on the present value which shall be computed on the basis of the interest rate applicable to the fast enc-year interest-bearing bonds of the Greek State issued before the evaluation. In addition, offers should be submitted in foreign currency, for their evaluation those others shall be calculated on the basis of the Bark of Greece Drachma-fixing rate valid on the last day on which binding offers for this Tander should be submitted, i.e. 26.02.1998. This invitation does not constitute a congosal on the preparation of a contract but an invitation to the tender Therefore, the submission of binding offers does not entail any adjudication right for the sale and gonerally tenden are not granted any right or claim against ETBA and/or "SHIFYARDS OF GREECE S.A." denoing from this invitation from their participation in the Tender for any reason whatsoever.
- For any further information and in order to receive the aforementioned draft of the guarantee letter, ested parties may contact the ETBA Holdings and Equity Participation Division, 87 Syngrou Ave., 4th floor. Mr. K. Vassiliou, tel.: (01) 9294608, 9294602, fax.: 9242934

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аппочисеs an

INVITATION FOR BIDS for Slavonska banka d.d. Osijek shares

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The Agency guarantees that the steeres are in its sole ownership and are free of any claim for the benefit of a third porty.

The bids must fulfill the following conditions: The but must include all the strares offered for sale. Buts that do not include all the shares shall not be taken into

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The bid must include an unconditional declaration that payment shall be made to the Agency's account, either in kuna or an appropriate foreign currency, no later than 30 days after signing the cont The bidder is also obliged to submit, together with the bid, evidence of his financial standing or a payment gu

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grace period of not less than one year interest rate not above DEM LIBOR +2 percentage noisus

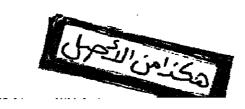
- Furthermore, a bid can be made by bidders with the status of strategic investor (a reputable bank or other financial institution) whose bid fulfills the bid conditions and who undertake to provide additional capital to the bank of not less than 70,000 000 kum or the equivalent in foreign currency (DEM 20 million) On submitting their bid, the bidders agree that the share purchase contract shall be concluded under the following
- the purchased shares may not be used as collareral for any debt that the buyer or his subsidiary might have, the purchased shares may not be used to sentle any debt that the buyer or his subsidiary might have. the buyer of the shares or subsequent owners of these shares or any other legal entity once raise any type of loan from Slavonska banka or be in debt to Slavonska banka
- The above conditions, from a) to c), shall be valid for three years from signing the sales purchase contract. in accordance with the Law on Banks and Savings Banks (National Gazette of Republic of Croatia No. 46/97) buyer of shares that exceed 11% of shares with voting rights in the bank's General Meeting is required to obtain pri consent from the Croatian National Bank.
- The buyer is obliged to conclude the share purchase contract within 15 days of receiving notice that his bid has been accepted. Should the contract not be concluded within the given time, it will be considered that the bidder has The bids are to be sent by regretered mail or counct, in a sealed envelope within a sealed envelope to two original

copies, both of which inside the inner envelope, signed and stamped by an authorized person. The bids are to be sent to the address of the Agency. The inner envelope should be marked BID FOR THE PURCHASE OF SLAVONSKA BANKA SHARES - DO

Copies of bids or bids sent by fax will not be considered. The closing date for submitting a bid is 30 days after the publication of this invitation and the bid shall be considered to be on time if it reaches the Agency by 16.00 on the closing date. If the closing date does not fall on a business day, the next business day shall be considered to be the closing date.

12. The Agency reserves the nicht nat to accept any of the bids. 13. Additional information is available by telefax at the following Agency number: +385-1-4819107.

Bulders will be notified about the bids within 30 days from the closing day for submitting the bids.





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The Royal Society, the UK's most eminent scientific

society, yesterday called on the government to develop a

long-term plan for managing the nation's stockpile of plu-

tonium. Sir Ron Mason – former chief scientific adviser to

the Ministry of Defence and chairman of a Royal Society

study of plutonium – said Britain's stock of the deadly

nuclear waste was set almost to double to 100 tonnes by

2010. Sir Ron said his committee was "disturbed at the

present lack of strategic direction for dealing with pluto-

nium". The Royal Society said the government should promote a policy to stabilise and then reduce the stock-

pile. A growing stockpile increased the risks of environ-

mental contamination and nuclear weapons proliferation.

The society said an independent review should consider

options ranging from burning plutonium with uranium as a "mixed oxide" fuel, to deep geological storage.

waste management within 12 months. Simon Holberton

Trust office sacks fund manager The government organisation responsible for administer-

ing money for people mentally incapable of looking after

their own affairs has sacked one of its investment managers. The decision by the Public Trust Office to terminate its four-year contract with HSBC James Capel, the private

client fund manager, comes as the office is being reviewed

The National Audit Office will assess whether the PTO,

James Capel, which is owned by HSBC, one of the world's

which managed £549m (\$916m) last year, is providing

value for money for the people whose money it manage

biggest banks, said yesterday: "We have put a consider-

able amount of time and money into trying to satisfy the

Public Trust Office's specific requirements. It is regretta-

Kenneth Clarke, who was chancellor of the exchequer in

that the future of his party could be decided by its mani-

In a clear warning to William Hague, Mr Major's succes-

sor as party leader, Mr Clarke argues that the approach taken to the single currency in the election will be the

"acid test". The list of candidates should be "a proper mix

of Europhiles and Eurosceptics," he says in an interview

in the leftwing New Statesman magazine. David Wighton

Growth in services 'unsustainable'

The monetary policy committee of the Bank of England,

the UK central bank, yesterday gathered for its monthly

meeting amid new evidence that the expansion in the ser

vice sector – two-thirds of the economy – is unsustainable. But most analysts expect the committee will today leave base rates unchanged at 7.25 per cent because of

recent evidence pointing towards a slowdown in manufac turing growth. The conflicting evidence highlights the policy dilemma faced by the committee as it weighs the risks of rising inflation against the risk of a sharp sl

down in economic growth. The UK purchasing managers'

survey for the services sector, published yesterday, regis-

tered an increase in the activity index from 57.6 in Decem

ber to 58.6 in January, suggesting an acceleration in the

Board meets to finalise rescue

festo for next year's elections to the European parliament.

John Major's Conservative government, has predicted

ble that our efforts in this regard have been unsucces

■ CONSERVATIVE SPLIT ON EU

Challenge by ex-chancellor

Michael Meacher, environment minister, said yesterday the government planned to produce a policy for nuclear

UK NEWS DIGEST

HSBC JAMES CAPEL

by a public spending watchdog.

Company says government has underestimated millennium problem for its computers

IBM warns on cost of systems 'bomb'

By Alan Cane in London

estimated the cost of fixing the "millennium bomb" in its own systems. International Business Machines told the technology committee of the House of Commons

The world's largest computer company said in its experience customers tended to err on the low cost of fixing the problem". side in assessing the scale of remedial measures.

The government had a bigger problem than most of industry and commerce because it relied on a puter systems to distinguish higher proportion of specially write-

replace may not be viable in the The UK government has under- case of bespoke applications now we have only two years to go to the deadline," the company said. "Government therefore has no

choice but to find the resources to fix its applications. We are concerned that departments may in their initial assessments totalling £370m have underestimated the

IBM was giving evidence before the Science and Technology Committee which is investigating the bomb - the inability of most comare fears the bomb may disrupt business and social life. The failure of government systems which process benefits payments, for example, could be particularly damag-

Chris Moore, IBM's Year 2000 manager, said while most large firms had begun to take action to fix the bomb, about 50 per cent of small firms were unprepared.

Large companies were redirecting software development towards remedial work, but there was a shortage of competent project managers and systems architects. Mr Moore gave cautious evidence

increasing concern about the possibility of legal action and responsibility for costs should systems fail after the date change. He said current IBM hardware and software was "2000 ready", a less binding term than the more usual "2000 compliant".

nesses said in its evidence that legislation should be passed to ensure all compliant software and hardware systems carried an appropri-

ate mark or stamp. It was concerned that non-compliant equipment originating from overseas suppliers was being sold

ten software. "The option to after the turn of the century. There to the committee, reflecting to UK businesses. It also complained that unscrupulous suppliers were rebadging remaindered noncompliant systems from established manufacturers and selling them as ready for the millennium. It said the cost to small and medium-sized businesses of fixing the bomb was significant and The Federation of Small Busi- should be lightened either by tax concessions or low-interest govern-

> Mr Stewart Halliday of the FSB business development committee said his chief frustration was the lack of awareness of the problem in the small business commu-

ment loans.

Territories are told to tighten financial laws

Diplomatic Editor

Britain vesterday promised a new deal to its 10 remaining Dependent Territories, giving their 160,000 inhabitants a louder voice in London and possible UK citizenship. But the move included a demand that financial regulation be brought nearer to UK standards within two years.

At a London conference, Robin Cook, the foreign secretary, spelled out the conclusions of his six-month review of Britain's relationship with the last remnants of empire. He told leaders of the Dependent Territories Association that they would have to improve regulation of their offshore financial industries, on which several of the territories thrive.

Using as a benchmark Gibraltar, which has had to upgrade its rules to European Union standards, Mr Cook said he wanted all territories with financial sectors to have "the highest standards of regulation".

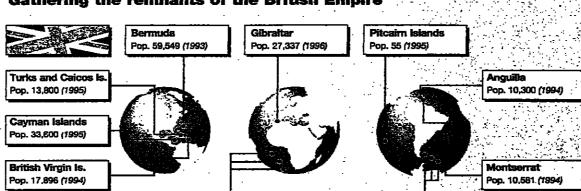
He said the UK had a checklist of measures it wanted in place by the end of 1999. The list includes international codes on banking solvency and money laundering, legislation to allow and require the territories to co-operate fully with foreign financial investigations and genuinely independent regulatory authorities funded if necessary by a levy

on the local financial sector. Mr Cook praised territories such as the Cavman and British Virgin islands for recently adopting moneylaundering legislation.

The foreign secretary also announced what he called "a modernised contract" with the territories. An act of parliament would rename them "United Kingdom overseas territories" to reflect the fact they were "energetic, self-governing and anything

but dependent". Mr Cook said he was also putting one of his junior ministers. Baroness Symons. in charge of Foreign Office co-ordination of a new joint

Gathering the remnants of the British Empire



Pop. 6,488 (1993)

MPs fend off attack on minister

St Helena (including Asc and Tristan da Cunha)

The full might of the Labour party was produced yesterday to drown opposition Conservative attempts to revive impropriety accusations against Robin Cook, the foreign secretary, John Kampfner writes. As Michael Howard, shadow foreign secretary, accused Mr Cook of "scandalous abuse of ministerial power" for considering replacing his diary secretary with his partner, he was heckled by more than 100 Labour MPs. Derek Fatchett, Mr Cook's deputy, suggested that the foreign secretary had better things to do than address opposition "trivia".

ment for International Development to take responsibility for the territories. The move is aimed at preventing the lack of co-ordination between the two

department which is being departments that emerged in of the 1962 and 1983 UK organised with the Depart- the Montserrat volcano crisisbetween the Foreign Office, which has overall responsibility for overseas territories, and Dfid, which holds the aid purse strings. Setting out a new pattern

of rights and obligations between the mother country and the territories, Mr Cook said the issue of full UK citizenship was being studied "sympathetically and urgently" for the people of the eight territories which do not already have it. Gibraltar and the Falkland Islands have UK citizenship with the right to live and work in the UK, while the other inhabited territories lost these rights as the result immigration acts. There are also three uninhabited territories, South Georgia, the British Indian Ocean Terri-

Falkland Islands (Including

South Georgia and South S

Pop. 2,564 (1996)

tory, and the British Antarctic Territory. While he said he had "no

desire to turn the Dependent Territories into mirror images of Britain", the foreign secretary also served notice that by choosing to be British they must abide by the same standards of human rights. He particularly focused on corporal and capital punishment. Bermuda is the only territory with the death penalty. But Quinton Edness, its home affairs minister, yesterday cautioned that removing this would not be easy. Bermudans had voted by referen dum to keep the punish-

The only cheer Mr Cook won from his audience was over his promise to consider

Irish premier urges tighter talks deadline



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By John Murray Brown in Belfast

Delegates at the Northern Ireland peace talks should adopt a "shorter timespan". according to Bertie Ahern. prime minister of the Republic of Ireland. His government is aiming at agreement by mid-April and not the May target adopted by Tony Blair, the UK prime minis-

Irish officials are concerned that, unless there is a deal by Easter, there will not be enough time for the proposed referendum on it

season in June - often the scene of sectarian clashes. The republic's government said it was preparing a paper on its view of a settlement, which it planned to present at the talks to give the process momentum.

Mr Ahern told the Irish parliament: "I do not believe it will be possible to reach the Easter guideline if we continue to take each section in isolation." He added that he was trying to persuade the parties to adopt a shorter timespan. "I cannot say I have agreement on that but I am endeavouring to before the Protestant Orange convince people that it is the Order's traditional marching right way to go," he said.

wording of any referendum would have to be approved by the republic's parliament, which could take two weeks. This would be followed by a four-week campaign to win support of the people.

The move reflects continuing frustrations at the lack of progress. This was highlighted yesterday when John Hume, leader of the moderate nationalist Social Democratic and Labour party, accused Sinn Féin of "reinforcing sectarian politics" by whipping up nationalist fears over a proposed assembly for Northern Ireland. In an article in Northern

Irish officials said the Ireland's Irish News newspaper, Mr Hume said Sinn Féin was engaging in "selective reminders of the nightmare through which both our

communities have lived". Both governments have indicated that a new assembly is likely to form part of any agreement but the parties are divided as to its pow-

In their joint paper last month, the two governments said the assembly would have responsibility for "at least" the six departments of the existing Northern Ireland Office of the UK government - education, health, finance, environment, agri-

culture and economic development

But in talks this week it has emerged that the Ulster Unionists, the largest pro-British party, are keen to limit the extent of regional government while the SDLP wants to maximise it so that as many tasks as possible can be remitted to the proposed North-South ministerial council. Sinn Féin has

refused to discuss the issue. Mr Hume said the pronosed North-South council "could not exist without new institutions in the north from which its northern membership would be

was not aware that Mr

Snowden's shareholding was

a problem following his res-

ignation and it had no plans

to change the consortium's

GTech, Cadbury Schwep-

pes, the confectionery com-

pany, De La Rue, the secu-

rity printer, and Racal

Electronics, the electronics

group each holds a 22.5 per

The remaining share-

cent stake in Camelot.

shareholding structure.

■ ORCHESTRA CRISIS

The governing board of the Hallé orchestra, based in the northern city of Manchester, met last night to finalise a rescue package designed to stave off collapse threatened by debts of £1.2m (\$2m). A financial package has been agreed that will allow the orchestra to operate for up to four months until plans to secure its long term future can be put in place. The Royal Bank of Scotland has agreed not to demand immediate repayment of the orchestra's £750,000

Wolfgang Münchau

overdraft. Up to £400,000 is also to be released from the orchestra's trust fund through the transfer of assets, such as musical instruments, to the fund in lieu of cash. The trust has applied to the Charity Commission for a loan of £300,000-£400,000 as part of its longer term plan. The scale of the financial crisis emerged in a study by KPMG, the accountancy firm, commissioned by Manchester City Council. An overhaul of the orchestra's operations was demanded at the board meeting last night, including stricter financial controls, management changes and the renegotiation of about 100 musicians' contracts. A public

■ PRIVATISATION

appeal for funds is also likely.

Watchdog attacks rail sell-off

The privatisation of Railtrack – former state owner of most of the UK's rail infrastructure – has been attacked in a preliminary report from the National Audit Office. the government spending watchdog. It concludes that the privatisation should have been phased and that the company should have been loaded with more debt. Since the sell-off, nearly two years ago, Railtrack's shares have outperformed the London market by about 90 per cent. From an offering price of 890p a share, they topped £10 two months ago and yesterday fell 40p to 922p. Charis Gresser

GTech to retain stake in running lottery

Daneshkhu and George

By Scheherazade

GTech, the US lottery equipment supplier, said yesterday it had no intention of selling its 22.5 per cent stake in Camelot, the consortium which operates the UK National Lottery. "We cannot envisage any

circumstances in which we would sell the Camelot stake; it is important to us," GTech said. It added that it was focusing its energies on ensuring the continued sucress of the Lottery following the resignation of Guy Snowden, its chairman.

Mr Snowden resigned on Tuesday after Monday's acceptance by a libel jury in London that he had tried to bribe Richard Branson, the Virgin group founder, to drop his rival bid for the lottery licence.

His resignation followed the running of the lottery. hat of Peter Davis as directhat of Peter Davis as director general of Oflot, the lotin spite of admitting con-

minister, insisted yesterday tery regulator, who had that Mr Snowden should granted Camelot the licence receive no future income receive no future income from the lottery through his cerns in court about GTech's 1 per cent stake in GTech. In business methods. Mr Bran- a statement to the House of Stoker, acting director gener's immediate priority was benefit from it through leveral, to extract GTech from to disentangle Mr Snowden involvement with GTech."

from any financial involve- However. Camelot said it ment in the Camelot consor-"He will ensure that Guy Snowden will no longer be involved in the management of our lottery, and that he will not be in a position to son has called for John Commons, he said Mr Stok- draw any direct financial benefit from it through his

Rival gambling group cuts jobs

Ladbroke, the betting and hotels group, yesterday blamed unfair competition from the National Lottery for its decision cut the number of jobs at Vernons pools by more than half. Scheherazade Daneshkhu writes. Pools are a long-standing form of betting on the results of soccer games.

Vernons employed 1,000 people before the introduction of the lottery in 1994, but has sharply cut jobs twice since then. The latest restructuring will take the workforce at its headquarters in the northern England city of Liverpool down from 350 to 150.

holder, ICL, a UK offshoot of Vernons has suffered a steep (all in prof-Fujitsu, has 10 per cent. The its since the lottery's launch. Operating profits fell from £13.1m (\$21.8m) in the year to March 1994, to £5.8m in the year to December 1996, with sales halving to £85.2m in the same period.

The pools industry, of which Littlewoods has 80 per cent, has been badly hit by the lottery. While most other types of gambling have largely bounced back since the lottery's launch, pool sales have fallen by 60 per cent from £1bn in 1994 to £400m last

shareholders have pre-emptive rights to buy one another out. Mr Smith came close yesterday to admitting that he had taken the initiative in suggesting Mr Davis's resig-

Asked who had first raised the question of the resigna-tion, he replied: "The matter

Image experts gear up for the Tony and Bill show

The Blair-Clinton double act lacks a uniting ideology, says Robert Peston

world leaders in search of an "ism". Over drinks, dinner and formal meetings in the US capital the two leaders will try to define a new direction for centre-left parties in the western world.

Their relationship seems conof image consultants on the double-act performed by Ronald Reagan and Margaret Thatcher, alliance against Iraq. their rightwing 1980s predeces-

President Bill Clinton and sors. On foreign policy, Mr Rea-Tony Blair, the UK prime gan and Baroness Thatcher stood minister, will for the next shoulder to shoulder as cold war three days play buddy-buddy warriors fighting a crumbling of loyal friendship at a time when nebulous "third way" on free Soviet empire. Their successors are sealing a bond in their tough stance against President Saddam Hussein of Iraq. Although Mr Blair yesterday tried to rally support for possible military action from President Chirac of France sciously modelled by their legions and President Boris Yeltsin of Russia, he is comfortable with the perception of an Anglo-American The leaders provide mutual sup-

port in other areas, too. Mr Blair presence of the flamboyant Elton cussion on how centre-left governhas repeatedly talked of his gratitude to the US president for the support he has given to the Northern Ireland peace process. Meanwhile. Mr Clinton has

made clear through officials that he values Mr Blair's declarations the president's reputation has been battered by allegations of sex, lies and cover-ups in the Monica Lewinsky affair.

Finally, neither of them has the traditional leftwing distaste for conspicuous consumption. Mr Blair chartered Concorde for the trip - replete with caviar canapés and vintage champagne - while Mr Clinton is laying on a celebrity White House dinner tonight in the

John, the rock star. But there is one palpable difference with the Thatcher-Reagan axis. Whereas they had

Thatcherism, Reaganism, trickledown economics and monetarism, Blair and Clinton have a more market economics and interven-

o for all the importance of aire economist of Goldman Sachs, reinforcing the trust between the two on the eve of possible military action against Iraq - which would be announced in a joint radio broadcast to the American people - the highlight of the visit will be a "wonkathon". This is a round-table policy dis-

ments can make a difference. Most of the prime minister's debate on Friday afternoon. They include wunderkind David Milliband, the de facto head of the Downing Street policy unit; his part-time colleague Geoff Mulgan; founder of modish policy institute Demos, Gavyn Davies, the million-

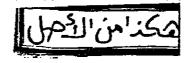
London School of Economics. There was a trial run-for this event on November 1. when the president visited Chequers, the dence. Those who attended com- cal front.

the US investment bank; and

Anthony Giddens, the head of the

plained that the agenda was too broad and discussion lacked focus. One theme likely to dominate party have been brought along to this time is whether there is scope contribute to this four-hour for redistribution to the disadvantaged through welfare reform, given that redistribution through the tax system is regarded on both sides of the Atlantic as electoral suicide,

Also likely to be considered is the strategic question of which interests should be championed by centre and centre left parties. But participants are sceptical about whether a coherent political philosophy can emerge from this. The Blair-Clinton relationship is likely to remain more robust on prime minister's country resi- the personal than on the ideologi-







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Mark Ward looks at manufacturers' efforts to create a computer chip with time to spare

Clock off the old chip

esktop computers can spend 70 per cent of the time idly waiting for users. They are always primed to work flat out but rarely get a task that trou-

The result is a great deal of wasted PC energy. And as the chips inside the computers con-

Because the chip runs for short periods of time there is little danger of it overheating

time to increase in power the potential amount of time the PCs do nothing is likely to

For desktop PCs with a constant power supply, wasted energy is not much of a problem. But for laptops, the increased energy needed to keep chips cool and ticking over means an even

greater drain on batteries The problem with most existing chips is that they require a clock to co-ordinate everything they do.

With each tick of the clock instructions are processed and data shuffles along a step. Take away the clock and most chips would not know what to do. But now chip designers have

power a chip needs and still keep everything working. Clockless chips are being developed by US companies such as Theseus Logic of Minneapolis and Lockheed Martin subsidiary

come up with a way to remove the clocks, reduce the amount of

Smaller, faster chip designs are particularly effective for military

Even large chip designers such as Intel are starting to assess clockless versions. The chips the company is producing are getting too big to co-ordinate with one

Although distances between components on a chip are shrink-



ing, the distance across the chip is growing at a commensurate rate. Soon timing signals will not be able to reach all the compopents on a chip before the next

The solution appears to be either separate chips with independent clocks or chips with no

tick is issued.

One of the pioneers of chips without clocks is Steve Furber, ICL professor of computer engineering at Manchester. To date Prof Furber has produced three versions of a Risc (reduced instruction set) chip that needs no clock to keep it processing

silicon and "negotiate" with each other when they have a processing task to carry out.

He says the cycle the logic islands work to is: request, acknowledge handshake When a series of instructions must be carried out, the pipeline between logic islands is set up and the data ripples through.

The tricky part, says Prof Furber, is merging independent lines of instructions or splitting one stream. But as long as the expected data does turn up the chip will crank through the program. Once the job has been completed, the chip, code-named Amulet, goes back to sleep.

"What these chips are really good at is doing nothing." Prof Furber says. "As soon as there is nothing useful to do they stop

Because the chip runs for short periods of time there is little dan-ger of it overheating, which means it can work at a higher speed than ordinary chips. Prof Furber says the third versions of the chip have a performance comparable to the Arm (Acorn Risc Machines) 9 chip that was announced only towards the end

The first versions were bulky and were built to prove the concept. The second versions are tions, and the third, he says, are close to becoming a commercial

Mandate has developed from Bolero, an

earlier project involving Cryptomathic,

which provides an electronic solution to the "bills of loading" documents covering

The development work on Mandate

www.cryptomathic.dk/mandate) is partly

funded by the European Union's Elec-

tronic Trusted Services programme. If all

goes according to plan, Mandate will be

integrated into the EU's more general

Semper project for creating an electronic

Besides Cryptomathic, the companies

participating in the pilot project are Need-

ham & Grant, commercial solicitors based

in London and specialising in law relating

to electronic commerce; Marinade, a Lon-

don-based consultancy that was also a

partner in the Bolero consortium; and Riv-

erland, a Belgian consultancy. The banks

involved are ING, Royal Bank of Scotland

the carriage of goods.

Photodynamic therapy - in which drugs that become toxic when exposed to light are used to destroy tumours – is a highly promising cancer

But it is effective only against relatively flat and thin cancers. Moreover, patients often have to avoid light for

Institute of Science in Israel think they can overcome the disadvantages using new photosensitive drugs derived from chlorophyll, the green pigment in plants.

Existing light-sensitive materials are mostly based or red pigment derived from haemoglobin. They are only activated by visible light. which cannot penetrate far into

By contrast, the chlorophyll-based materials can also absorb near-infrared light

Worth Watching · Vanessa Houlder



Tough substitute for timber

Australian scientists have found a use for old telephone directories and plastic milk containers. They are turning waste paper and thermoplastics into a substitute for timber.

The material, which is being developed by Csiro, the Australian national research organisation, can be twice as strong and three times as stiff as the polymers from which it is made. It is tough enough to be used for certain applications that previously used timber, such as flat sheets and mouldings. It is also water-repellant and defect-free. Industrial-scale trials of the process have begun.

CSIRO: Australia, tel

Mick.Crowe@ffp.csiro.au

Photosensitive drugs advance

weeks afterwards.

Researchers at the Weizmann

that penetrates much deeper into body tissues.

Unlike the red pigments, the chlorophyll-based materials can also work in the presence of relatively low levels of oxygen. Another advantage is that they clear ont of the body much

faster than existing drugs, so that patients can tolerate outdoor light more quickly. Weizmann Institute: Israel, tel 97289343855; http://

www.weizmann.ac.il **Driving home a**

fuel saving

A change in the design of car engine valves could usher in fuel savings of up to 10 per cent, together with a significant reduction in exhaust

Daimler-Benz says it has discovered a way of controlling individual valves using an electrohydraulic mechanism. This makes it possible to match engine characteristics to the prevailing driving conditions

Daimler Benz: Germany. 7111793271; http:// mow.daimler-benz.com/

Detecting aroundwater bugs

Groundwater contamination by Cryptosporidium and Giardia can cause significant problems. In one incident several years ago, more than 100 people died in Milwaukee during an outbreak of cryptosporidiosis.

Conventional online monitoring equipment cannot always detect a small concentration of relatively large particles in the 4-12 micron range, which include Cryptosporidium and Giardia.

A British consortium has addressed this problem by launching a device designed to continuously detect particles of this size range.
It works by shining a narrow

beam of light through a sample of water so that the presence of fine particles above a certain size cause fluctuations in the light reaching the detector.

The detector, based on work. originally carried out at University College London, was developed by Anglian Water and Diverse, a Cambridge-based instrumentation company.

Diverse: UK, tel (0)1223 844444; e-mail diverse@dial.pipex.com

The separate logic functions of device. Check out an electronic cheque system

Hilary Barnes on a pilot project that holds great promise for the banking industry have the character of a digital signature.

· Cable TV and telecoms companies - convergence

The growing importance of brands and marketing in a multi-channel future

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Development & Strategic Planning

· Leveraging old media into new

Replacing the traditional paper cheque with an electronic equivalent that is more secure and easier to settle has been a holy grail of the banking industry for years. Previous attempts to create a workable

system have failed, but now Cryptomathic, a small Donish company specialising in cryptography, believes it has the The company, based at Aarhus in Jut-

nilot project in association with partners and banks in Deomark, the UK, the Netherlands and Belgium. The project is known as Mandate -"Managing and administering administrative documents and trading them electron-

If the pilot is successful, the company believes the system could be developed into a general system for the use of electronic cheques, which in turn will open the way to the development of

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terrestrial platforms' strength's

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SPEAKERS ACCEPTANCES INCLUDE

Will the networks still be able to deliver the masses in the future?

electronic commerce on a large scale. book system, the recipient of a transfer Cryptomathic was founded and is run by Peter Landrock, a mathematician working at Aarhus University. At the core of the electronic cheque concept is tamper-resistant hardware, known as a DOC-carrier. This must be inviolable to interference, to secure against double spending when one cheque is used to make more than one payment.

Ultimately, the DOC-carrier could consist of a smart card, which would interact land, is operating an electronic cheque with a personal computer. But in the pilot project and for demonstration purposes floppy discs are used, says Jesper Drud Nielsen, the company's technical man-

> The DOC-carrier would play the same role as a cheque book. It would be issued by a bank, and would authorise the user to make a finite number of transactions, each transaction not to exceed a limit set

> > FINANCIAL TIMES

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But in contrast to the normal cheque

will also have to have a DOC-carrier issued by his or her own bank, which will be used to endorse an incoming payment. Security is the main issue for the development of an electronic cheque system. A cheque or other negotiable document

inviolable to interference to secure against double spending

The hardware must be

must be unique, but electronic documents can in principle easily be duplicated. Cryptomathic has developed cryptography to address these security concerns.

The DOC-carrier will require the use of a password (or two passwords if a business wants to ensure there are two signatures to each cheque), and the password will and Denmark's Nordvestbank.

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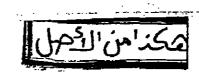
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ARTS

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Cinema/Nigel Andrews

Totems of a bygone hedonism

THE ICE STORM Ang Lee

FLUBBER Les Mayfield

THE WOODLANDERS Phil Agland

CLUBBED TO DEATH Yolande Zauberman

> **GUY** Michael Lindsay-Hogg

elcome to tory coursé, "Signs and meanings in 1970s America." Our first study pack was Boogie Nights, in which we learned about the California porn industry. Our second is The Ice Storm, which is about sex and drugs on the domestic front. Will you please now open the pack?

You will first find a pop-up New England landscape scat-tered with Thanksgiving snows and Martini-belt dachas. Then if you take out the human replicas, you will find two interlinked families. The first couple are Kevin Kline and Joan Allen, notquite-with-it members of an increasingly swinging middle class. The second are Jamey Sheridan and manhungry Sigourney Weaver. who will soon spill her cocktail on Kline's lap in a classic 1970s seduction ploy. Meanwhile the teenage children of these free-range adulterers are already experimenting with sex, substance-abuse and Richard Nixon masks.

Ang Lee's film of novelist Rick Moody's praised-bymany (though unread-by-me) satire on the Me decade is an odd mixture, first mesmerising then maddening. For an

hour it is spookily exact and horribly funny: a slice of Americana seen with sci-fi clarity by the Taiwaneseborn director of Sense And Sensibility. This is an upside down Candide where all is for the worst in the best of all worlds. Children barely relate to parents. (Kline: "Hey, kids, I'm back." Kids: "You were gone?") Parents two-time their spouses. And those cracking sounds that echo across calendarbeautiful Connecticut - are they just frozen trees breaking up or a whole American zeitgeist doing so?

Lee prowls through the period like an enraptured child in a museum. Like us, he can hardly believe the totems of a bygone hedonism: the waterbeds, the Thai sticks, the partnerswapping "key parties" (in which wives go home with the men whose keys they fish blindly from a bowl). Watergate is an unmentioned rumble in this society's belly. The rich or upwardly mobile are too busy savouring their Transcendental Liberalism while trying to stop their children doing so. And even those warnings are more merce-nary than moral. "Don't do it in the shower," Kline tells ity? his post-pubertal son, "it wastes water and electric-

Laughing at such proget apocalyptic there were many crane-shots spiralhoy dies a borrible death involving ice and a telegraph pole, and tears, remorse and a too-late togetherness clog up the final tableaux. The screen might as well flash up "Go back to family values now", like a neon sign on a revivalist tent.

Also, if Lee and screenwriter James Schamus are



Sex and drugs on the domestic front in 1970s America: Kevin Kline and Sigourney Weaver in Ang Lee's 'The Ice Storm'

urging us to reject the adventurist 1970s, what do they want us to endorse instead? The yuppified, Aidshaunted 1980s - Reagan, Bush and the Moral Major-

You just have to shut your eyes or leave early. Everything before the crunch in The Ice Storm is wonderful. grammatic permissiveness is Lee knows how to use colour one thing. Turning from sat- and pattern not just for onemances that combine human spiritual colour-coding: from Kline's tweedy greyness trying to burst into dim spring to Sigourney Weaver's dark, raspy greens and maroons, the heraldic hues of a voluptuary making a provisional truce with taste.

Disnev's Flubber is a remake of The Absent-Minded Professor with Robin Williams in the Fred MacMurray role. I never saw the earlier film, but Fate hit me over the head and dragged me into a preview theatre for the sec-

You can tell when a press show audience is unhappy. They shuffle notes, peer into empty coffee cups to search ire to pious censure, as this off effect - like the grey-film does late on, is another. beige sea of commuters on or talk quietly in the back We should have known that the branch-line platform - row. What they cannot bear so much snow and ice would but for echo and re-echo. to do is watch Williams go (Note the station's yellow on juggling unfunnily with "Stop" sign mimicked by a funny substances - the ling Godlike above the mor- facsimile in the boy's bed- green, flying, all-powerful tal meles. So in Act Three a room). And he coaxes perfor rubber of the title - or wit shown alternate brochures outside, a harsh daylight ness screenwriter John of Heaven and Hell, both of seems to flood the club. And serendinity with a kind of Home Alone Hughes's latest variations on how to concuss burglars.

Flubber would be welcome in The Woodlanders. Every time the characters gloom in the gloaming in this Thomas Hardy novel filmed as if by a manic depressive, a ball

Opera/William Weaver

through Wessex and beam them into animation. Emily an end-of-line slumland Woof strives bravely as the girl who marries a caddish, upwardly mobile doctor while loving an honest, downwardly spiralling woodsman (Rufus Sewell). But other performances match the miserablist mise-en-scène, especially Sewell's Giles Winterborne. Romantic sullenness, however handsome, will not do as an unchanging expression; Sewell should get more

tures?

We get this dilemma, after Clubbed To Death. A sulkily junkie programmed to pretty young Parisienne (Elodie Bouchez), whose probeen established in scene of flying jello could whiz one, falls asleep on the last

where the only place to while away the night is a multi-ethnic rave club. This is full of hunky male bodies. blowsy exotic dancers (Beatrice Dalle) and opportunities for sex, drugs and what you will. Before you all start taking

bus home. She wakes up in

sleeping pills on buses, there is a catch. The place also specialises in beatings-up and boxing fights to the death, and filmmaker Yolande Zauberman makes the scenery swim, pulse and blur as if we are all on illicit sat in Purgatory being substances. When it is night which featured the same pic- when the girl falls for a young Arab (Roschdy Zem) who seems a dashing proteca fashion, in the French film tor, he is soon revealed as a

self-destruct.
There is little dialogue and is at once alienating and compulsive, wayward and

wondrous, Imagine The Shell tering Sky mixed with The Bonfire Of The Vanities, and the chemical explosion.

Hardly less weird is Guy, opening next week. This is one of those P-o-V movies seen entirely through the eyes of one character who "is" the camera. The heardbut-unseen heroine is a camcording fanatic who ambushes stranger Vincent D'Onofrio (memorable in Men In Black and as Orson Welles in Ed Wood) and persuades him to record his uninterrupted thoughts and everyday actions - all of them - on tape.

You could say the film goes nowhere slowly or that it encapsulates the whole of life in 94 minutes. Either way, it is ruminative, arresting and beautifully performed by D'Onofrio, who as miscuous credentials have barely any plot. But the film an actor seems more and more the Orson Welles of new alternative cinema.

Nostalgia on my mind

Thrown up by the wave of American culture enveloping London's Barbican Centre this year is a plectrum of singer-song writers, perhaps the most persuasive art form developed in the US in the past 40 years. To date the piggest names have yet to be booked, but the series kicked off last weekend with a fairly seminal artist. James Taylor.

Taylor rarely tours the UK, which is strange since his career started bere 30 years ago when he cut his teeth on the Beatles Apple label, and minted the first of his simple, slightly fey, songs "Carolina on my

But he has a new album to promote ("I've got some new naterial – thank God"), and that's a strong incentive to travel. He was rapturously welcomed, and delivered the ultra cool performance of a professional wbo has seen it, and done it, all. The hair may have gone, but the threadbare clothes remain giving Taylor the appearance of a kindly youth hostel warden. And the voice retains all its lugubrious whine as he sings of the American Dream, slightly mildewed It is always hard on an

artist who scaled his creative peak around 25 years ago and has been filling in ever since. The audience was baving for "Sweet Baby James" before he'd cleared his throat, but the new songs, especially "Line them up", inspired by Moonie weddings in Madison Square, sounded fine in an undemanding kind of way. Taylor, always mellow, is now very laid back indeed, and muses about the recent songs with a wry detachment.

Some of the detach clung to this part of the audience. The genuine big hits, songs like "Fire and Rain", are still affecting. but the introspective. dreamy days of the 1960s turning rather than a new age. Perhaps Taylor also feels that nostalgia is not what it used to be: he keeps up a brisk pace, and seems more excited about his latest, more hard-nosed work, like "Frozen Man", his reaction to the discovery of a century old corpse. recently uncovered in the Canadian perma-frost.

The backing trio was as sedate as Taylor, and only in the few up-tempo songs did the concert throw up any real excitement. Taylor has been around long enough to know what an audience wants, that "singer-songwriter sensitive shit", and at the end, returning on his own with guitar, he switched on a thousand and more memories, and we were back around some prairie fire, crooning along to that infectious cowboy whimsy about "Sweet Baby James It was all quite pleasant but it hardly mattered.

> Antony Thorncroft

here is hardly a literate person in the 'Straw Hat' returns to La Scala western world who has not heard some music by Nino Rota (b. Milan 1911, d. Rome 1979).

Rota composed the scores for nearly all the films of Federico Fellini, and also for many other familiar pictures (Godfathers I his list of works includes and II, Murder on the Nile, The Leopard etc). But who except for specialists remembers the names of

important ones? Of course, Rota - who ber have been published and studied with Ildebrando recorded. Still, Rota remains Pizzetti first and then, under Rosario Scalero, at

the Curtis Institute in Phila- nation that he happily son, is presenting an elegant the opera then enjoyed a farcical structure is maindelphia - did not consider himself a movie composer;

oratorios, chamber works, orchestral pieces and several Most of these extra-cinematic pieces have been performed in Italy, and a num-

movie composers, even firmly in the Italian mind as "Fellini's composer", a desig-

accepted. He was the most amiable of men, and though proverbially shy, he made many friends, several of whom Hence, alongside his film success, he had a satisfactory "serious" career, which continues posthumously. Now La Scala, as its sec-

revival of Rota's three-act opera Il cappello di paglia di Firenze, written in the late 1940s and based on the Labiche farce known in occupy important positions. English as The Italian Straw in the Italian musical world. Hat. This is the opera's second production in Milan; the first, in 1958, was presented at the, alas, now long-de-

funct Piccola Scala. Boasting a starry cast, proond opera of the current sea- duced by Giorgio Strehler, and, strangely, though the displaying a nice feel for the memory.

success; and this new production - designed and produced by Pier Luigi Pizzi - than the nechas also been drawing full comic numbers. houses and affectionate, if not triumphant, notices.

The dimensions of La a fragile, almost insubstan-

tained, its decidedly wistful pages are more effective than the neo-Rossinian Bruno Campanella con-

ducts the music with the tip of his sensitive baton, but all Scala make Rota's opera his welcome lightness can-seem tiny, and it is, indeed, not give the work body. The cast could hardly be better: tial piece. Elegant, deft, but Juan Diego Florez is an never blazingly original; ardent tenor bridegroom.

comedy: and as his bride. Elizabeth Norberg-Schulz sings with a crystalline purity that would establish a suitably virginal character, were it not for the fact that in real life the gifted soprano is seven months pregnant (a detail that adds to the audience's enjoyment).

Pizzi's sets are as agile as the soprano's coloratura, and his inventive staging ~ which introduces a fanciful borse-drawn charabanc ~ keeps all eyes alert, even when ears are not occupied. All in all, an evening that passes pleasantly, but hardly an event that will linger in

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Philharmonie Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra: conducted by James Levine in works by Webern, Messiaen and Brahms; Feb 5, 6

■ BRUSSELS

OPERA La Monnaie Tel: 32-2-229 1211 El Amor Brujo/La Vida Breve: by Manuel de Falla. Both works are staged by Herbert Wernicke and conducted by Mark Stringer; Feb 5

■ CHICAGO

CONCERTS Orchestra Hall Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: conducted by Daniel Barenbolm in works by Beethoven, Carter and Tchaikovsky; Feb 5, 6, 7, 10

■ GLASGOW

OPERA Theatre Royal Tel: 44-141-332 9000 Scottish Opera: Cosi fan tutte: by

Mozart. New production by Stewart Laing, conducted by Nicholas McGegan; Feb 5, 7, 11

■ LONDON **EXHIBITIONS** Hayward Gallery Tel: 44-171-261 0127 www.hayward-gallery.org.uk • Francis Bacon (1909-1992):

The Human Body. Selected by art critic David Sylvester, this first major showing of Bacon in the UK for ten years brings together important works involving the human figure dating from 1945 to the mid 1980s, loaned by major collections throughout the world: from today until Apr 5 Henri Cartier-Bresson: Europeans. Previously seen in Paris, this display explores changes from the 1930s to the 1970s, through the eyes of the photographer; from today until

Tate Gallery Tel: 44-171-887 8000 Per Kirkeby (b,1938): continuing

the series of contemporary sculpture displays, this exhibition includes paintings, sculptures and a specially constructed brick structure by the Danish artist; to May 26

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and violin Gidon Kremer, Feb 5

■ MILAN **OPERA**

Teatro alla Scala Tel: 39-2-88791 www.lascala.milano.it Die Zauberflöte: by Mozart. Conducted by Riccardo Muti in a staging by Roberto De Simone; Feb 5, 7, 10

MUNICH EXHIBITION

Haus der Kunst Tel: 49-89-211270 Symbolism in England 1860-1910; previously seen in London's Tate Gallery, this show presents work by British pre-Raphaelites alongside that of their European contemporaries. Includes works by Rossetti, Burne-Jones, Watts and Lord Leighton; to Apr 26 Amold Böcklin, Giorgio de

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OPERA Philharmonie Gasteid Tel: 49-89-5481 8181 Die Zauberflöte: by Mozart. Polish Opera production by Mark Tracz; Feb 6

PARIS CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Theodor Guschlbauer in works by Roussel and Brahms. With violin soloist Shlomo Mintz;

Opéra National de Paris, Opéra Bastille

Tel: 33-1-4473 1300 Tristan und Isolde: by Wagner. New production conducted by James Conlon in a staging by Stein Winge, with designs by Lennart Mörk. Cast includes Wolfgang Schmidt and Sabine

Gamier Tel: 33-1-4343 9696 Conducted by Gary Bertini in a

Opéra National de Paris, Palais

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Economic Viewpoint · Samuel Brittan

Some Emu surprises

The run-up to European economic and monetary union has been nearly the opposite of what many had expected

about the Maastricht conditions and the Stability Pact, German have done better to have remembered the verse from St Matthew which says: "But many that are first shall be first."

About a year ago German political and business opinion was strongly opposed to starting Emu with a wide membership. The preference was for beginning with a small northern nucleus consisting mainly of France, Germany, Austria and the Benelux countries. But once Theo Waigel, the German his abortive plan to use foreign exchange profits of the Bundesbank cosmetically to reduce the German budget keeping out the non-core countries vanished. Ger-many was no longer in a the other hand, they should position to lecture on the rise in Spain. Portugal, price inflation, especially in use of clever accounting Ireland and perhaps Italy.

tain to start on time in 1999 on a wide basis, with 11 EU intended, prices in tradeable tral bank is having to precountries. Moreover, the problems caused by this membership are almost the opposite of what had been feared. Even the old formulation in terms of northern versus "Mediterranean" countries has proved mistaken – unless Finland and Ireland are regarded as Mediterranean.

The contrast is now between the hard central 20 core and peripheral countries. Far from proving embarrassing laggards, the peripherals have been the best performers among the 11. The most rapidly growing countries have been, in ascending order. Spain, the UK, Portugal, Finland and Ireland - with Ireland winning all the prizes. Unfortunately Italy now counts as a core country, doing slightly less well than Germany and

The rapid growth of the

peripherals has been going on for several years and accompanied by an inflation performance either as good as, or better than, the EU average or even Germany. When it comes to price levels, as distinct from rates of change, the contrast is even greater. The chart, which has been prepared by Julian Callow of Dresdner Kleinwort Benson, shows prices of tradeable consumer products in EU countries, compared with those in Germany. (Goods heavily influenced by differential indirect taxes, such as drinks and tobacco, have

been removed.) The likely peripheral members, excluding Finland, have much lower prices than Germany or run in to domestic overheat-France. So prices and profit margins in France, Germany and surrounding tain recent growth rates of 7 countries should come to 10 per cent for year after This prospect should not be Emu is thus almost cer- attributed to Emu alone. If raise interest rates in a prethe single market works as emptive move, the Irish cenproducts should converge (apart from transport costs). But a single currency will

EU price differentials compared with Germany

thus hasten the process. The main financial effect of prospective Emu membership so far has been convergence of bond rates. Nominal short-term interest rates are still up to 11/2 percentage points higher in the peripheral countries than in Germany. But the gap will have to narrow as the end of the year approaches. This convergence has been foreseen, perhaps instinctively, by international companies. which have directed much towards the periphery.

Asian experience shows.

however, that one can have too much of a good thing even growth. If this continues at recent rates, some of these countries are liable to ing. The obvious case is Ireland, which cannot susyear. The pressures are already showing up in asset the Dublin property market. Yet far from being able to pare to reduce them as Emu membership looms.

Thus some peripheral promote "transparency" and countries are liable to suffer

of the first wave. Does this mean that such membership is a mistake for peripheral countries? Not necessarily. A reason the east Asian crisis has been so severe has been the plunge in exchange rates, which has made all dollar-denominated debts

reason advanced by officials

in Britain - which can be

regarded as a non-joining

peripheral - for staying out

almost impossible to service. Once Emu occurs, such an undershooting of exchange rates is by defini-tion impossible. What is likely to happen is something more equivalent to a localised boom in a region of the US, for example a Californian land rush.

The basic question, quite reasonably raised by Eddie George, governor of the Bank of England, concerns not just the peripherals, but also whether unemployment levels in the core countries are an obstacle to successful monetary union. At first sight Germany and France seem pretty much in the same boat: a vessel in dire condition. The all-German unemployment rate is not overall financial policy much lower than the French

has been rising more rap-Länder are excluded, west Germany emerges with an unemployment rate 2% percentage points less than

one of 121/2 per cent and it

case for a devaluation of the

EU growth league % increase in real GDP, 1997

Reland	7.5
Finland	4.6
Portugal	3.4
UK Spain	3.4
Spain	32
EU average	2.6
EU average Germany	2A
France	2.3
tady	1.3
Source: OECD estimates	

from excess demand in the franc against the D-Mark early years of Emu. Here am far from sure. Recent indeed is the main economic events have strengthened important development has been not in recorded numbers, but rather in the advent to power of an old-fashioned socialist government in France. This is trying to fight unemployment by measures - such as reductions in working hours without adjustment in wages - that are bound to

increase labour costs.

If France had a genuinely free market government, (which it did not have even before the 1997 parliamentary elections) there might be a case for a temporary downward float of the franc to ease the adjustment of labour costs. If the Jospin administration were to do a U-turn on Emu and devalue the franc, I could only see continuing devaluation and inflation for the country, which would throw away al the hard-won gains of the 1980s and 1990s. The present French government could not undertake a credible non-Emu policy.

There is scant prospect of tackling European structural unemployment by without tackling its roots in the labour market. It is customary to put the blame on idly. If, however, the eastern lack of "flexibility". But what does this mean? In the words of one candidate for the presidency of the European Central Bank - and not the one whom you How far this adds up to a would think - the main problem is excessive labour costs. And these are all labour costs and not merely the non-wage ones arising from social security taxes, which it is fashionable to

> If labour costs can be made more responsive to market conditions. Emu will work. If labour market problems are left to fester. Emu will not work. But nor will anything else.

force by the western world

Since 1991, when a US-led

coalition last went into

action against Iraq's Presi-

dent Saddam Hussein, Bagh-

dad's armed forces - at least

in conventional terms -

have considerably weakened.

and the US has upgraded its

But lingering confusion over that exactly the US is

trying to achieve, and the

sheer unpredictability of Mr

Saddam mean that nobody

can be sure how the two

sides will emerge from the

Senior members of the

Clinton administration say

their aim is to force the Iraqi

leader to resume co-opera-tion with the UN. This is the

argument they have made when preparing domestic

and international opinion for the need for military action.

Tony Cordesman, one of

the leading experts on the

region's military balance,

believes this is a coherent war aim: "It should send a

clear message that the mili-

tary cost of nonco-operation is unaccept-

William Cohen, the US

defence secretary, and Made-

leine Albright, the secretary of state, have also been at

pains to make clear what the

expected military action will

not achieve, In the face of

many people's expectations,

the bombing campaign is not

intended to overthrow Mr

Saddam nor to destroy his

"If one has to resort to mil-

itary action, one should not

overestimate what they will

in fact achieve." Mr Cohen

said "Let's not raise unrea-

The end, then, is clear: to

persuade Mr Saddam to

work with the UN. What is

less clear are the means

required to achieve that end.

The defence secretary has

produce weapons of mass

destruction, missile facilities

leader "to threaten bis

neighbours".

arsenal of biological and

chemical weapons.

sonable expectations.

forthcoming test of will.

since the cold war.

high-tech arsenal.

samuel.brittan@ft.com

LETTERS TO THE EDITOR

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No place for government funding in Channel rail link project

From Mr David Savers. Sir, The problems surrounding the high speed rail link to the Channel Tunnel provide an opportunity to pause and reconsider the project. Unless London and Continental Railways, the concessionaire, can find the funds with which to complete the link, its concession should be withdrawn; and it should not be offered to any other group on the same terms. Improving rail services to the continent is a matter of commercial interest to their operators and users, not of social concern to the taxpayer. So the government should be trying to escape from a commitment, under the concession to LCR. to pay £1.8bn towards the cost of the project.

tive should be the construction of a rail link with private funds. It should re-open bidding for a concession on this basis, though it should accept that bids are unlikely to be made until traffic has grown substantially, and that hidders should be allowed to propose alternative routes. The present route was estimated to cost £500m more than the route British Rail favoured, when the Conservative government chose it in 1991. A commercial route may well be different and cheaper. Using a new route would

require new legislation: but legislation is a great deal cheaper than construction, and there will be plenty of time in which to get it through parliament. The government should not

other governments or by Eurotunnel. The timing of the project should depend on the decision of a commercial developer, and is likely to be veris away. The government now has

the opportunity to undo some of the damage done by the previous administration's mismanagement of the Channel link project. The best way of achieving this result is to limit the government's involvement to its statutory responsibilities for planning, and leave everything else to the private sec-

David Sawers. 10 Seaview Avenue, Angmering-on-Sea, West Sussex BN16 1PP, UK

Russia making notable steps forward

From Mr Yuri E. Fokine. Sir, Against the background of generally balanced reporting in your newspaper on the economic situation in Russia the review ("Disturbing picture of chaos and corruption") by Quentin Peel in the issue of January 22 of a book on Russia (Rebirth of a Nation: An Anatomy of Russic, by John Lloyd) struck me as rather warped.

The government's objec-

The "bag of beans" spilled on the readers' desks has evidently been packed for some time and not without a purpose.

Yes, Russia in its economic development is struggling through ups and downs, just like many other countries today. But an objective observer would not but take notice of steps forward that are a result of a huge nationwide effort. To gloat over failures and to disregard the succes albeit rare and far between,

some illustrations of the onward evolution of the Russian economy. industrial growth is

reported to have been achieved in 1997. · backdated payments of salaries in the budget sphere, as far as the federal: government is concerned. were finally made in the beginning of 1998.

 the denomination of the rouble is proceeding satisfactorily, in an orderly way and without panic. Let me also refer to the

view of an internationally famed banker who noted the fall in inflation, the restoration of confidence in the Russian currency, the careful exchange rate manage ment, the progress in bank supervision.

He also publicly recognised the "quality of clients and partners in Russia and the very high educational standards of technicians as well as their ability to adapt Let me be specific and give to market economy", and

concluded that "a renewed sense of optimism emanates from the Russian government, and rightly so. I am convinced that Russia will succeed in this transition process for the benefit of all its citizens and the rest of Europe and the world".

It would seem that there is really a good reason for many bankers and business men to acknowledge the positive evolution of the Russian economy and to expedite the process of establishing their offices or subsidiaries in Moscow and other important centres of

Naturally, they are welcome, as well as their contribution to the economic reforms in an unbending

Yuri E. Fokine. ambassador of the Russian 13 Kensington Palace London W8 4QX, UK

International financial Article FINANCIAL TIMES

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In the line s confrontation US and Britain face the imminent prospect of sending their armed of fire forces - without much help from another country - into one of the biggest shows of

Bruce Clark on the military aims and options in Iraq



on the Republican Guard: each carrying 70 fighters, both the elite division in the and one much smaller Brit-Baghdad area which keeps ish one, are in the Gulf the Iraqi leader in power. and the half-dozen divisions which he has used against Kuwait and the Kurds

Even if they failed to dislodge the Iraqi leader from power, attacks on the guard would weaken his ability to fend off challenges to his authority, says Michael Elsenstadt of the Washington Institute for Near East

adopted or not, the scale of the bombing campaign ems to be growing by the day. In the words of Mr. Cohen, it will be "significant, more than a pinprick". This formula is assumed to mean that bombing raids would in the first instance be sustained for several days, with the option of continuing over several weeks if the Iraqi leader shows no-

Admiral Michael Mullen, a said that the campaign will US commander on board the attack sites used to store or aircraft carrier George Washington, has said seabased bombers alone could and other military installaattack Iraqi targets for sevtions used by the Iraqi eral weeks "in a very precise and devastating manner The build-up of US and British forces in the region

is much the biggest since the

Gulf war, though it is still

much smaller than the coali-

Two US aircraft carriers,:

tion assembled in 1991.

sign of backing down.

What remains a wide-open question is whether the Clinton administration will go further, heeding the advice of hawkish US commentators by focusing the attacks

ish one, are in the Gulf already, while a third US carrier is on the way. Also nearby are four US destroyers, two guided-missile frigates and three attack subma-

The US warships are understood to be carrying cruise missiles, more than were used during the Gulf war, and their capacity to reload has been upgraded. Whether that strategy is

The Pentagon says it can call on 300 aircraft in the region - far less than the US 1,200 deployed in 1991, but still enough to do the job. The military capacity of these forces will depend in part on the help or hindrance they get in the region. Defence chiefs say they can still cope if, as seems likely, the Saudi goveroment restricts the use of US hases on its territory to support aircraft (carrying early-warning systems and refuelling equipment) rather than fighters directly engaged in raids on Iraq. A harder challenge will be posed if the Saudis deny any

logistical support.
That could mean relying mainly on the carriers, as well as B-52 bombers based on the British island of Diego Garcia in the Indian Ocean Seaborne bombers carry smaller payloads than land based ones.

But since 1991, the US has communications systems that are used to give precision-guided missiles their pinpoint accuracy – and developed deadly weapons like CBU-97 precision cluster bomb, some 30 of which can be loaded on a single B-1 bomber. This means that scores of tanks could be

destroyed on a single sortie. Such accuracy, though, may not be enough to allay what everyone considers the biggest fear: that Mr Saddam has secretly produced weapons of mass destruction (although not, as yet, the means to deliver them) in terrifying quantities.

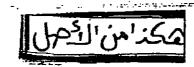
A bombing campaign that left the arsenal diminished but very much intact, and failed to weaken the Iraqi leader's grip on power, could weaken the US hand and leave Mr Saddam as the moral victor.

This fear has been expressed openly by US Con-gressional leaders and may well be shared privately by pro-western governments in the Middle East, who have always felt they have most to lose from an attack on Mr Saddam which enraged him

but failed to destroy him. An even darker nightmare is the remote possibility that parts of Iraq's deadly arsenal will somehow be unleashed, either deliberately or as a side effect of US bombing.

US officials have said little in public about how they would avoid the danger of more than 250 Tomahawk dispersing biological and chemical weapons in the course of attacking them - a ghastly outcome that would play into the hands of Mr Saddam's propaganda machine But Pentagon officials disclosed to Defense Daily, a specialist publication, that there were considering the use of 2,000lb "Wal-leye" bombs, developed during the Vietnam war, which would bury WMD facilities under rubble rather than destroy them. US officials have played down the possibility of Irac deliberately using poison or nerve gas. Baghdad is assumed not to possess any mediumrange rockets that could be tipped with these deadly

> But US officials still feel strongly enough about this danger to issue not one, but several warnings, that Baghdad would face a "devastatresponse - an ambiguous formula that does not exclude tactical nuclear weapons - if it were to use non-conventional armoury.



FINANCIAL TIMES Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday February 5 1998

Indict Saddam

Neither Washington nor London ceived as unilateral. The US and that is the way they seem to be find themselves isolated. heading. They are trying to convince Saddam Hussein of the Saddam is needed, but it must be more credible and acceptable

ington nor London wants a diplomatic solution if that means Iraqi people the worst effects of giving up the effort to destroy iraq's ability to make chemical and biological weapons and to fire them at his neighbours. But neither government can con-

The likelihood that air strikes could persuade Saddam to national legitimacy. become more compliant is very In 1991 the idea of low, and US policymakers know it. They would have to target every known or suspected weapshould imagine that can be done without causing extensive civilian casualties. Moreover, chemical and biological weapons are easy to move and conceal. Even after weeks of carpet bombing, there would be some

Within Iraq, people will hardly feel grateful for being bombed by western powers if tively. Saddam's removal is not. This is a worthwhile enough achieved. In the wider region, strategy for the US to consider most Arabs and Moslems will delaying any air strikes while it see Iraq as a victim. And the is brought to fruition. Force west's apparent tolerance of should be held in reserve -Israeli expansionism makes any ready for use on a massive scale tough action against Iraq even as a deterrent against Iraqi harder to present.

tary action would clearly be own, a campaign of targeted unpopular. Although aimed at bombing is most unlikely either strengthening the UN's author- to destroy those weapons or

wants a war with Baghdad, but UK, rather than Saddam, would

to world opinion than those mass destruction. But they are in danger of being forced down a military path for lack of effective alternatives.

must be to sharpen the distinction between Saddam's regime and the Iraqi people who are its first victims. That is already the gramme, intended to spare the economic sanctions. The pro-posed extension of that programme, allowing the UN closer supervision of the economy, is a step in the right direction. But template military action with these measures should be any relish. accompanied by moves to deprive the regime of any inter-

In 1991 the idea of indicting Saddam before an international tribunal seemed fanciful. Today there are tribunals proceeding ons site in the country. No one actively against war criminals in former Yugoslavia and Rwanda. A UN conference in June is expected to set up a permanent international criminal court. If anyone should be brought before such a court it is surely Saddam. If he were indicted for crimes against humanity it would be easier for the UN to apply sanctions selec-

aggression with weapons of In the rest of the world, mili-mass destruction. But on its ity, the action would be per- remove Saddam from power.

Silver dollars

shareholders that he cannot metal but is having trouble findbear the thought of "trading a good night's sleep for a shot at a few extra percentage points of period upon payment of a mod-

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A STATE OF THE STATE OF

and the second

Perhaps he has recently discovered a uniquely powerful made a healthy profit. The trick sleeping potion. He will cer- will be to realise it as he liquitainly need it: Berkshire Hathaway, Mr Buffett's company, has: purchased 130m ounces of silver, perhaps 20 per cent of the world's yearly output.

Such a big position - worth over \$900m (£540m) at today's tale about the bullion markets, prices - would be enough to, however. As with gold, silver give most investors sleepless nights. Even more worrying, it by the arrival of heavily capitalputs Mr Buffett, one of the ised hedge funds, willing to take world's most conservative and big speculative positions. This methodical investors, in the same investment arena as the "ity in the market; but it has also Hunt brothers of Texas, two of led to periods during which the most reckless plungers in prices bear little relation to history. Their attempt to corner silver in 1979 ended in bankruptcy and prosecution.

Mr Buffett clearly has no such ambitions. Last summer, says his press release, he "concluded that equilibrium between [silver] supply and demand was only likely to be established by

ing any to deliver can delay the transfer for a reasonable

est fee".: On paper, Mr Buffett has dates his huge long position. Acquiring a few extra percent age points of return may yet give Mr Buffett cause to toss and turn.

The story illustrates a deeper dealines have been transformed has greatly improved the liquidtrends in underlying supply and demand.

Mr Buffett believes he identified such a moment last summer - so far, apparently cor rectly. If he succeeds in holding on to his paper profits, he will have taught the hedge funds a lesson. But he should perhaps a somewhat higher price". Now, remember a thought from one with the price up from less than of his annual shareholder \$5 an ounce to around \$7, Mr addresses: "In the end alchemy, Buffett is offering to avoid a whether it is metallurgical or ruthless squeeze. Anyone who financial, fails."

Bank check

The question of who should lead Emu campaign would seem to the Bank of England into the new world of European mone dra applauding the Trojan tary union is a delicate one for Horse. Moreover, it could be the British government.

Eddie George, the present governor, would like a second five-year term, when his present stint ends in June. He is a governor of stature, respected in Europe, where he has played a prominent part in the discussions among central bankers about the implementation of a common currency from 1999. He has also piloted the Bank skilfully into its new role as the guardian of interest rates.

George has been outspokenly sceptical about Britain's ability to be an early member of the euro club and more generally about the economic difficulties which an Emu with broad membership could encounter.

As befits a central banker, Mr. George has been measured and months ago. analytical in his comments. Even so, a weighty pessimism smoke of his arguments. And

the UK chancellor. Even so, the possibility of Ministers and their aides must "Steady Eddie" leading a pro- now put up or shut up.

some about as likely as Cassanargued that when the UK does eventually join Emu, Britain will need a Bank governor who will be an enthusiastic ambassa dor for the policies of the Euro-

pean Central Bank in Frankfurt. These considerations should by no means disqualify Mr George But they might be reasonable grounds for change by a new government which wanted to signal a decisively more positive approach to Emu.

However, it is not yet clear But there is a snag. Mr that this is what Tony Blair, the prime minister, does wish. Nor is there any evidence that ministers have an obviously better candidate in mind. If the government does want to make a change, it should act decisively now. An announcement should ideally have been made some

The present uncertainty accompanied by whisperings in can be discerned though the Whitehall, is undignified and unsettling. There are rumours, this sits uneasily alongside the for example, that Mr George eager rhetoric of Gordon Brown, might be offered a reduced term of two or three years. But the The government's enthusiasm- law says it must be five. The has yet to be tested in action. time for such tittle tattle is past

COMMENT & ANALYSIS

Reaping the whirlwind

Two big emerging economies are killing themselves to avoid the Asian flu. Chrystia Freeland looks at Russia, Geoff Dyer at Brazil

it. But Russia has not escaped the aftershocks of Asia's crisis. Its stock market, which soared 195 per cent in the first 10 months of last year, has plunged 49 per cent from its peak. Domestic interest rates have jumped to 42 per cent. And the rouble could still be in jeopardy: currency traders

are circling round.

Russian officials seem stunned by the injustice of it all. "The fundamentals are not so bad," says a mystified Sergei Aleksashenko, deputy governor of the central bank. "They are the same as they were

three months ago, so what has changed?" What has changed changed utterly, is investor sentiment. Last year, emboldened by the seemingly unstoppable rise of markets worldwide, investors looked at Russia's messy transition to capitalism and saw a glass that was half full. Soon, they believed, it would be overflowing, as the country shifted to economic growth.

Now, as the impact of the Asian crisis sinks in, investors see a glass that is half empty. Deep-rooted problems, to which analysts paid scant heed before the impact of the Asia crisis became clear, are suddenly centre stage. Investors are particularly exercised by Russia's chronic public finance problems and its patchy record on corporate governance. Foreign money is being withdrawn from the rouble-denominated bond market, with \$600m fleeing last month. Russian banks are increasingly reluctant to write forward contracts

The anxiety has been heightened by the plunge in world prices for crude oil. In addition to denting Russia's healthy balance of trade and thus depleting the central bank's modest \$16bn reserves, low oil prices could further weaken public finances. Russia stands to lose \$1bn in tax revenues if oil prices for Urals crude oil average \$15.50 a barrel this year, according to MC Securities, an investment bank. Urals crude is trading at around \$13.60.

"If oil export revenues fall, our balance of trade could be very low or negative." says Mikhail Friedman, head of the Alfa group and one of Moscow's top businesssmen. "That would put the rouble in a very tenuous position."

If the rouble begins to fall, the government could lose credibility fast and the effects could be devastating. One of Moscow's main achievements in this decade of market reforms has been to rein in runaway inflation and stabilise the rouble. A big devaluation could destroy this hard-won success, forcing Russia back into a spiral of hyperinflation and a col-

If they don't defend the rouble it would stabilisation would be wiped out," says Al Breach, an economist at the Russian European Centre for Economic Policy. "A devaluation would be a bottomless pit."

To avert this nightmare scenario, local and foreign businesses are pressing the Russian government to produce a strong, clearly articulated fiscal austerity programme, including sharp cuts to public spending, aggressive action on tax collec-tion, and a commitment to industrial restructuring, including bankruptcies.

At the moment, that seems unlikely. Riven by internecine battles and still dazed by the abrupt turn in international markets, the Russian cabinet shows little sign of following Brazil's example by putting together such a package (see story on right). Although there has been no fanfare broadcasting a cohesive "emergency programme" some analysts argue that Russia has in fact been pursuing some of the required measures. It has, for example, been tough on tax collection, collecting 40 per cent more taxes last month than it did n January 1997.

Ironically, the rouble's salvation may come not from any steps taken by the Kremlin, but rather thanks to the underdevelopment of the sapling market economy. Thanks to the immaturity of the lending system, high interest rates - the central bank's chief weapon in defending the rouble - may be easier to sustain than

ussia's leaders thought the in more developed economies. Domestic country might get away with mortgages are almost non-existent and corporate loans of more than six months accounted for only 3.5 per cent of total banking assets in October.

"Interest rates simply do not have the importance here that they do in more developed economies," says Christopher Granville, head of research at United City Bank, a Moscow investment bank. "It is clear that the central bank will allow interest rates to rise as high as they have to defend the rouble."

Even if the rouble survives, Russia faces a bleak year. High interest are likely to choke off economic growth, with the cen-tral bank now predicting only 1 per cent for the year (against an original estimate of up to 4 per cent). Many western inves-

tors expect even less.

For Russia's long-suffering people, who have already endured a decade of severe economic contraction, that is a dark forecast. Since 1995, Russia's leaders have inaugurated every year with a pledge that, at last, the country was about to reap the rewards of its painful market transition.

This year has been no exception. Just last week, President Boris Yeltsin ordered his cabinet to produce growth of 2-4 per cent, or suffer the consequences. Beyond the fate of the rouble, a question for Russia is how the country's aging titan will react when his minions explain that in 1998, yet again, economic growth is likely

bad news look like? Latin America's largest economy has conducted a gling banks. model defence against an Asian-style crisis.In a few days last October, it spent \$8bn to defend the currency, doubled interest rates to over 40 per cent and

budget cuts and tax increases. "We are much more safe now," Fernando Renrique Cardoso, Brazil's president, told the FT last week. Interest rates are now falling and, barring a devaluation in China, Brazil would not face further problems from Asia.

introduced a R\$20bn (£11bn) package of

But the price has been huge. Growth is slowing sharply to a forecast 1 per cent this year from an estimated 3.5 per cent last year. Unemployment, already the highest in five years in 1997, is on the rise. And even then, not everyone shares

the president's optimism. "There has been a truce towards Brazil since December but the economy has not decoupled from events in Asia," says Paulo Leme, an economist at Goldman Sachs in New York. "It's too early to put

the champagne on ice."
So is Brazil still vulnerable? The economy, as Mr Cardoso never tires of saying. is free of many of the problems that have caused havoc in Asia. For a start, the financial sector is reasonably solid. Brazil had the good fortune to suffer its banking

razil raises the question: if crisis in 1995-96 at a time of stability in this is good news, what does international financial markets: it had the good judgment to push through a series of mergers and takeovers of strug-

> Nor is the corporate sector drowning in debt. Several decades of high inflation have left Brazilian companies wary of borrowing heavily. The low level of corporate debt helps explain how the economy can function at all with real interest rates of 30 per cent. But as several Asian countries showed, impressive-sounding macroeconomic figures are not always

Brazil faces three problems that could

still undermine confidence: The central weakness of the economy is the public sinances. The budget desicit was 6 per cent of gross domestic product in 1996 and is likely to have been more than 5 per cent last year. This year is likely to be no better. Higher interest rates are already pushing up domestic debt and doubts are growing about how much of the emergency fiscal package outlined last year will actually be implemented. And in February and March of this year US\$63bn of domestic public sector debt has to be rolled over, a heavy schedule even in normal times.

On the external front, Brazil's current account deficit increased to 4.3 per cent of GDP last year. The economic slowdown will reduce import demand but Brazil will still need to borrow US\$45bn this year. That is the cost of financing the current account deficit plus maturing international debt. These twin deficits could leave Brazil exposed if a new liquidity crunch hits emerging markets - whether it begins in Asia or results from a large Wall Street correction.

 The second problem is political. An election is due in October and, as Indonesia and South Korea have shown, presidential elections can add to investors' jitters. According to Arturo Porzecanski, chief economist for the Americas at ING Barings in New York, Brazilian fiscal policy could become looser and privatisations will slow in the runup to the election, reducing the inflow of foreign capital. "It is in the second half of the year that things will start to look diffi-

In spite of the austerity measures, Mr Cardoso is still favourite to win the poll. But political analysts say his popularity could start to slip if unemployment rises significantly. Investors are betting that a second-term Cardoso will be strong enough to drive through budget-cutting reforms: they could become unnerved if a comfortable victory does not look

cle in the run-up to the election. It will need to manage expectations about its exchange rate policy: in spite of constant denials, several investment banks, including ING Barings, are predicting a sizeable devaluation in 1999. That could become a self-fulfilling prophecy.

Government officials argue that, with the depreciation of the real at 7 per cent a year against the US dollar and with inflation low, the existing policy will deliver a substantial increase in competitiveness over a two-vear period.

• Third, there are long-term structural worries. The government must keep the pressure on Congress to approve constitutional amendments to reform the civil service and the social security system aimed at cutting spending. Progress has been slow. Congress has been in special session since January 6 to examine the bills, but attendance has been low and government whips have been forced to delay several important votes. Opposition to the social security reform is likely to be tough.

For investors, the reforms are a crucial test of the government's ability to tackle the structural problems in the economy. They also influence the short term. As Mr Leme says: "They are an insurance policy against another speculative attack.

Additional reporting by Robert Chote

178.0 Gross external debt (% of GDP) 23,7 27.7 27.t Gross external debt (% of exports) 174.3 191.7 373.2 Total debt service (Son) 12.2 27.1 11.2 Total debt service (% of GDP) 3.6

Russia and Brazil: emerging defences

Russia interbank 30 day middle rate

Brazil CDB mlodle rate

Main economic indicators

Real GDP tennual % change)

Government debt (% of GDP)

Gross external debt (Sbn)

Current account balance (% of GDP)

Nominal GDP (Sbn)

Trade balance (Sbn)

Interest rates (%)

BSERVE

Following the Map Erkki Lijkanen, the

smooth-talking Finnish commissioner, has scarcely put a foot wrong since he arrived in Brussels three years ago. But now he is heading into slippery territory.

Several hundred European. Commission haissiers (ushers) are staging lightning strikes in protest over Lilkanen's plans to shake up a bureaucracy which is still in the grip of powerful trade unions. The protests have disrupted mail in and out of the Commission's offices, blocked entrances and led to delays in getting job specs on to notice boards – even really big appointments like the head of the task force bandling enlargement to central and

Linkapen, who's in charge of budget and personnel matters, has had some success in overhauling the creaking Eurocracy in line with his blueprint Modernisation of Administration and Personnel Map 2000. Now he's turning to administrative staff and wants to decentralise responsibility for around 300 hurssiers from the central personnel directorate to Individual departments. The question now is whether

Commission president Jacques

eastern Europe. –

Santer will back Liikanen's hardline stand. If Santer opts for one of those famous Euro-compromises in which everybody claims to emerge as a winner, Liikanen will be the big loser. And Map 2000 will be a

Split right E Stefanos Manos, the

conservative former economy minister who tried to curb the power of Greece's pampered public sector unions in the early 1990s, must be wondering what hit him.

On Tuesday, the governing Socialists adopted one of his old policies and pushed through parliament a tough amendment to make the unions accept smaller pay increases this year. Yesterday, Manos was kicked out of the supposedly pro-market New Democracy party, along with George Souflias, another ex-economy minister who is

keen on public sector reform. It's not as if New Democracy, out of power for 15 of the last 18 years, can afford to lose talent. But it apparently felt that their crime - not turning up to vote against the amendment merited drastic action.

Maybe Manos, 58 - who abandoned the family biscuit-making business in the 1970s to go into politics - should dust off a few more old policy

papers and send them along to Yannos Papantoniou, the Socialists' economy minister. He might decide instead to rally Souflias and the rest of the

-6.0

510.0

10.5

3.0

138.0

440.5

9,7

22.6

122.0

discontented conservatives behind him: if he does, Costas Karamanlis, the baby-faced lawver who is ND's current leader, had better watch out.

Kovac operation ■ The strange case of Michal K,

the son of Slovak president Michal Kováč, has taken another Kafkaesque twist: be has been arrested in the Czech Republic on an international warrant. Kováč junior is wanted in Germany for questioning about an alleged fraud, but the whole affair appears to be tangled up with the murky side of Slovak

The dapper young businessman says he was on his way to Germany, and must now wait to be extradited for a hearing he had already arranged. He has in the past accused Slovak police of confiscating his passport to prevent him leaving the country to clear his name.

In August 1995, he was kidnapped, beaten up, forced to drink bottles of spirits, driven into Austria and dumped, but an Austrian court refused to extradite him to Germany. There was strong suspicion that the

affair was cooked up by the largely unreformed Slovak secret service on the orders of Prime Minister Vladimir Meciar to embarrass the president, whom he loathes: he blames him for toppling his last government.

Brazil

1997

3.0

779.D

34:0

-9.2

-34.5

186.0

23.9

355.6

34.5

1996

749.6

34.4

-5.6

-24.4

2.9

President Kováč steps down next month, but that's not necessarily good news for his son: he'll lose the bodyguard his father has been lending him these past few years.

Conversion

■ While Banque Nationale de Paris and Banco Santander were scrummaging for bits of Peregrine's businesses, Credit Suisse First Boston made a blindside run for the main prize. Yesterday the Swiss investment bank signed a three-year deal to replace the hapless Peregrine as main sponsor of the Hong Kong Rugby Sevens. Sighs of relief echoed around the territory, where the annual tournament has become a fixture of the

business and social scene. CSFB has laid on the perfect excuse for executives of crisis-hit companies who want to touch down at the March event. It's arranging a three-day conference for institutional investors and regional blue-chips on Asia's financial upheaval. The forum finishes on the eve of the Sevens, Observer wonders which will prove more popular.

Ginancial Time

100 years ago That Fruit Dispute Again

Washington, 4th Feb. The action of Dr. von Miguel. Prussian Minister of Finance. in issuing the decree excluding American fruits. &c., without giving the White, the American Ambassador at Berlin, is declared to be unprecedented and discourteous to Mr. White. It is felt here that there might be a danger that Germany's exclusion of American fruit would exercise an influence on other European Governments, which, under agrarian influence, are seeking pretexts for diminishing American competition with

50 years ago Peso Not To Be Devalued

Buenos Aires, Feb. 1, Senor Miranda, bead of the Argentine Economic Council. has denied recent rumours of a possible devaluation of the peso. The position of the peso. he said, differs fundamentally from the pound or the franc. Devaluation was a device whereby exports were stimulated; such a step would be ludicrous in Argentina's case since the whole world was eager to purchase her products.



FINANCIAL TIMES

Thursday February 5 1998



US plan aims to ease Asian credit squeeze

By Nancy Dunne in Nashington and

The US has launched an international initiative to provide export credit finance to Asian countries facing difficulties importing the goods and components needed to sustain their manufacturing indus-

The initiative, announced in congressional testimony by Larry Summers, the deputy treasury secretary, follows a proposal from Gob Chok Tong. prime minister of Singapore, for a multilateral scheme to guarantee letters of credit to Asian companies.

There is a severe danger that the domestic recession in these [Asian] economies will be prolonged by a shortage of short-term trade finance," Mr

Weighed down by debt, the financial system in some cases making it all but impossible

By Emma Tucker in Brussels

The European Commission

yesterday unveiled plans for

an international charter aimed at establishing principles gov-

erning business on the inter-

It would encourage co-

operation between govern-

ments on legal and technical

issues such as data protection.

copyright, taxation and control

"If we don't agree to terms

globally, we will each try to

set our own regulations, which

will lead to over-regulation,"

European Union commissioner in charge of telecommunica-

tions, who presented the plans

with Sir Leon Brittan, the EU's

trade commissioner. "But if we

do nothing at all, there will be

The two commissioners

stressed that the charter

of pornography.

to import vital goods and materials."

Bankers in Indonesia and South Korea, the two countries worst hit by the credit squeeze, have said a shortage of credit was crippling some industries, thwarting hopes that devaluation would enable them to export their way out

of debt problems.

Australia announced this week that it is making an unlimited special export credit facility available for Indonesia. Mr Goh, after meeting Indonesian President Suharto on Tuesday, said his scheme would create a multilateral committee which could guar-

antee up to \$20bn in credits for Asia. Backing of \$8bn should Both the US and Australia have stepped up export credits for South Korea, a particularly important market for Australia and a heavy importer of its

coal, iron ore and farm prod-

ucts. John Moore, industry

Brussels sets out plan for

worldwide internet charter

and would not be legally bind-

ing, but would encourage the

international community to

reach an understanding on

how best to develop common

organisation we are talking

about, but a flexible co-ordina-tion mechanism," said Sir

Leon, "We need to be fleet of

foot ourselves to match the

US president, outlined a frame-

work for global electronic com-

merce, endorsing the principle

The US is likely to be wary

explosion has thrown up sev-

example, differences between

US and EU laws on personal

data protection have emerged as a potentially serious barrier

Last year Bill Clinton, the

"It is not a new international

approaches to problems.

nature of the industry."

bureaucratic overtones.

said Martin Bangemann, the of self-regulation for the inter-

a lack of confidence in the eral of legal problems. For

minister, said that before the crisis Australian companies were prepared to export to Korea without insurance cover, but now they require Australia's A\$300m (\$199m)

cover would support exports worth A\$1bn annually, he said. John Howard, prime minister, announcing the programme for Indonesia, said one aim was to ensure that US did not use export credits to

take market share from Aus-

"Our exporters are facing fierce, even on occasions actively avaricious, competition from US exporters into Indonesia," he said. "It is very important that my government and Australia stand up for the interests of Australian export-ers and therefore of Australian

Russian aftershock, Page 17

A recently adopted EU law

makes it illegal after October

this year for EU businesses to

"export" personal data for

commercial purposes to coun-

vacy laws - including the US.

But Mr Bangemann hinted

that, whatever the law might

say, there was no question of

cutting off electronic com-

merce with the US on

October 1. "These laws are not

Other legal issues also have

to be settled. For example, it is

not clear which country has

jurisdiction if a consumer files

a suit against a company for

mation on its web site. There

is also uncertainty about com-

The 15-nation EU aims to

agree the charter by the end of

panies' rights to internet

addresses ending in ".com".

marble stones," he said.

Fur flies as MPs seek freedom for Pooh

By Liam Halligan in London

The "special relationship" between Britain and the United States was last night on knife edge as a diplomatic quabble broke out over the future of five threadbare stuffed animals – known as Winnie the Pooh, Tigger, Kanga, Eyore and Piglet.

As Tony Blair, UK prime minister, met senior American officials in Washington, MPs in Westminster launched a campaign to repatriate the "Winnie the Pooh Five" - the toys on which A.A. Milne based his Christopher Robin stories from their "glass case prison" in the New York City

Library. Gwyneth Dunwoody, the redoubtable Labour MP for Crewe and Nantwich, has tabled a parliamentary question to Chris Smith, culture secretary, asking what he plans to do about ending the toys' "70-year ordeal".

"They are part of our heritage and they want to come home," said Mrs Dunwoody,



Winnie the Pooh: he's

wanted back in Britain

ball" to her friends. "I saw them recently and they looked very unhappy indeed.

Mrs Dunwoody, describes herself as "a totally emotional politician", said the first publisher of the books took the stuffed animals over to New York and donated them to the City Library on 53rd Street - where they now sit in what is known as the "Children's Room".

"These were the actual toy: on which the illustrator, Ernest Howard Shepard, based his marvellous drawings which brought the stories to

"Just like the Greeks want their Elgin Marbles back, so we want our Winnie the Pooh the indignity of it all." Mrs Dunwoody added, thus inadvertently undermining the Parthenon sculptures should remain in the UK.

Last night the American side refused to give ground. A New York City Library official said: They are happy here - their glass case is spacious and they are very well taken care

THE LEX COLUMN

Buffing up silver

There is no mystery behind the sudden shine investor Warren Buffett has taken to silver. Demand has outstripped supply for the past seven years, driving warehouse inventories to record lows. But it eems to have taken Mr Buffett's shrewdness to look past the gloom surrounding precious metals and bet that the silver market's fundamentals would eventually be reflected in the price. Naturally, the fact that Berkshire Hathaway, Mr Buffett's vehicle, has bought up a fifth of annual world supply has helped that rise come sooner rather than later

What next? Mr Buffett is sitting pretty. The silver price has jumped 60 per cent since he started buying and he can cover his financing costs by lending out his holdings. But investors rushing in on his heels should note that this is a notoriously volatile market. While industrial demand remains healthy, reduced purchases by Indian consumers could easily undermine the

Beyond that, it is hard to draw rent world view. Buying an inflation hedge like silver seems to run contrary to last autumn's purchase of bonds, which suggested he was more worried about deflation. In reality, Mr Buffett does not pay attention to either. He simply hunts for undervalued assets. As usual, it seems to be paying off.

iraq

Russia's president raises spectre of third world war; financial mar-kets yawn. Yesterday's reaction to Boris Yeltsin's comments on how the traqi crisis could escalate seem appropriately sceptical. Mr Yeltsin's own scenario of a new world war looks no more than wild scaremongering designed to rattle US public opinion. After all, which power would come to Irag's rescue if Bill Clinton gave the go-ahead for an air strike? Mr Yeltsin was not offering to do so himself.

What about an escalation of the conflict short of world war? That certainly cannot be dismissed out of hand. Iraq might just find a way to strike back at US allies like Israel or Saudi Arabia. But its chances of causing much pain look slim: even during the Gulf War its counterstrikes were pretty ineffectual and its military might is now much diminished. A backlash by domestic populations against pro-western

US mortgages Weekly applications (March 16 1990=100)

also conceivable, as is the implosion of Iraq followed by neighbours picking over its bones. But neither looks likely. And, even if one of these bad-case scenarios materialised, the implications for industrialised economies would be minimal. conclusions about Mr Buffett's cur- It is much too early for investors to

Nestlé

The union of Friskies and Felix will set tongues wagging in the £5bn (\$8.35bn) European petfoods market. In 1995, Dalgety beat Nestlê to Quaker Oats's European petfoods business, part of the activities the Swiss group bought yesterday. In those days, these prize assets were being snapped up for more than 13 times sales. Now Nestlé has landed the number two spot in the European market, with 20 per cent of branded sales behind Mars's 40 per cent. Indeed Nestie may be relying on Mars' dominant position to ease it through any objections from the competition authorities to some of the local concentrations.

While Dalgety falled to make a go of its strong position, the market remains an attractive one. It has been growing at 3 per cent a year. And in southern and central Europe, a much smaller proportion of pets has graduated from scraps

to prepared food than in the UK. To lure indulgent pet owners, Nestlé has far more expertise than Dalgety in consumer marketing. It also plans to run the combined Friskles/Spillers activities on a costapparently have less nationalistic tastes than humans, Assuming no Additional Lex note on Dalgety Arab regimes, leading to Islamic Mars attack on prices, the £715m

US economy

The consumer spending boom ha been such a stalwart prop of US economic growth that investors are casting around for fuel that might keep it burning. Their latest hope is mortgage refinancings; on the basis that lower debt costs will lead households to increase sometimp tion. A previous spate of refinanc ings is credited with helping revivo the economy in the early 1990s.

The figures are impressive. Appli-cations for mortgage refinancings have quadrupled over the past month. But the net benefit of those refinancings depends on how big a reduction homeowners obtain com pared with their previous mort gages. In the early 1990s, they were able to shed double-digit mortgage rates agreed in the 1980s. The gains from the latest wave - sparked by homeowners taking advantage of lower long-term interest rates have been more modest. The boos to disposable incomes is likely to be correspondingly small:

Moreover, consumers are net sav ers. So they do not unambiguously benefit from falls in interest rates at least at the short end. Federal Reserve figures show that at September 1997, US households owed around \$3,390bn in home mortgages but owned nearly \$16,000bn in cash and bonds. The main benefit to consumers from lower rates is indirect it stimulates the business sector and thus job growth. Mortgage refnancings themselves will not prevent the economy slowing.

Granada

Gerry Robinson's golden boy image is tarnished. The row over the excessive amounts awarded to Granada directors for reducing their compensation rights in the event of a takeover has dragged on and on. After the directors refused to return the cash, shareholders hoped for a concession in taking contracts down to one year without further compensation. Even after opposition to the re-election of remuneration committee member John Ashworth, no such concession seems forthcoming. To squander goodwill in this way is a shame, Other remuneration committees should take note.

Stora's chairman faces calls to resign

Continued from Page 1

internet by users."

executives forced to resign. holders should have been informed about the pay-off. According to its 1996 annual

We do not have any confidence (in Mr Berggren)," said Lars-Erik Forsgardh, Aktiespararna's managing director and a leading campaigner for

Europe today Northern Scandinavia will have sunshine and snow showers. Southern parts will be cloudier with periods of rain and snow. Eastern Europe will also have snow showers. Germany, France and most of central Europe will be dry with long spells of sunshine. Spain and Portugal will have a lot of cloud with showers and per haps persistent rain in more northem parts. Southern Italy will be mostly cloudy with showers but more northern parts will be dry with plenty of sun. Eastern parts of the manean and the Balkans will be cloudy with rain which is likely to be heavy and prolonged at times.

tighter corporate governance sions to be paid from the age

of any EU initiative with publishing misleading infor-

national supervisory authority to global free trade on the

SKr18m ex-gratia payment salary) and a pension worth

of 65. although Stora has discretion to start payments from an earlier age. Mr Helgesson's pension eligibility has been

brought forward by five years. This agreement is expected to set the tone for the forthcoming Swedish wage round. In this context, cabinet ministers charged Stora directors

with hypocrisy at a time when workers were being urged to exercise wage restraint. Stora's most-traded A shares

slipped SKr0.50 to SKr105.50.

Stora officials stressed the payments were designed for size of Mr Helgesson's sever-The association said shareance remuneration was linked to a company study in 1996. which concluded that retirement packages for its top executives were below prevailing report. Stora had no agreements on severance pay with market rates. Mr Helgesson is to receive a top executives.

Company practice is for pen-

FT WEATHER GUIDE

TODAY'S TEMPERATURES

Five-day forecast All areas will be changeable. Northern and central Europe will turn cold before becoming milder with spells of rain. Scandinavia and sastem Europe will see further snow The Mediterranean will remain showery. The showers will be prolonged in places

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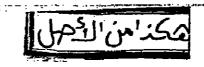
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Lan No other airline flies to more cities around the world.

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"HELLO WORLD"

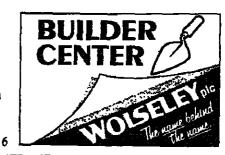






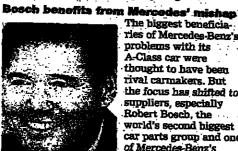
FINANCIAL TIMES

Thursday February 5 1998



Beatles tunes may drive VW launch

Volkswagen, the German car company, hopes to feature Beatles' music in launch advertising for its new Beetle car. Volkswagen confirmed it was in "early, early" discussions with Apple, the Beatles' management company. Page 21



The biggest beneficiaries of Mercedes-Benz's problems with its A-Class car were thought to have been rival carmakers. But the focus has shifted to suppliers, especially Robert Bosch, the world's second biggest car parts group and one

of Mercedes-Benz's most important suppliers. Hermann Scholl (above), Bosch's chairman, admits the carmaker's decision to re-engineer the A-Class will bring extra business. Page 20

Rush of US drugs mergers unlikely Takeover speculation has gripped the US pharmaceuticals sector in the wake of the Smith-Kline Beecham/Glaxo Wellcome merger plan in the UK. But analysts say a rush of mergers is unlikely. "I don't think you'll see another three or four deals this year," said one. Consolidation "may take another five years". Page 23

Vietnam relaxes rice monopoly Vietnam is to allow private companies to export rice directly on a trial basis. This is a breakthrough in relaxing a state monopoly that penalises farmers and has shackled export potential. The decision is part of the liberalisation of the rice trade begun last year. Page 28

Companies in 1	hie 1	asue	
AHP	<u>-</u>	Johnson & Johnson	23
Abbott Leboratories	23	KLM .	20
Astra		Куантаг	- 4
Airports Group Inti		Ladbroka	. 12
Alba .		Lemout & Hausbie	20
Alcan		Lowe Welker	22
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Amoco		Merrill Lynch	23,24
Anglian Water		MetroJet	23
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Bloomberg	1.24		10.
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Bristol-Myers		NTT	22
C & W Marine		NME	19
CBS		Nike	.21
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CMS Nomeco	10	Paccar	20
Cadbury Schweppes	74	Peregrine Asset Man	22
Carnival		Petron	22
Cendant		Pfizer	23
Chantlers		Phibro	25
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Cyberspace Research			1
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Dalmier-Benz -		Robert Bosch	20
Dalgety	19,34	Roche -	20
Deutsche Telekom	21	Royal Caribbean	.4
Digital Equipment	6	SEC	21
Diverse	14	Seab `	20
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Endesa	19		10
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Family Mart		Seagram	23
Fincantieri	.4	Selyu	22
Full Bank	22	Stem City Bank	. 22
GE Capital		Sony Music	21
GEC-Alsthorn		Spillers	19
GTech	12		1
GUS	24	Tono Mutual	19
General Motore		Travelers	25
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Jet Tour Market Statistics http://www.PT.com 32,33 FTSE Actuaries share indices 34 &Annual reports service Foreign exchange Gifts prices ared ketures and options Sond prices and yields Managed funds service dividends announced, UK New intit bond issues BMS currency rates araband prices

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Fixed Interest Indices

FT/S&P-A World Indices

FTSE Gold Mines Index

Emerging Market bonds

24 UBS 12 US Airways

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34. US interest rates.

CROSSWORD, Page 28

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PANIES & MARKETS

1352 695353 THE FINANCIAL TIMES LIMITED 1998

Deal with Dalgety may signal Swiss group's return to acquisition trail Nestlé pays \$1.17bn for Spillers

By William Hall in Zurich and Maggle Urry in London

Nestlé, the Swiss foods group, yesterday returned to its ecquisitive ways with a £715m (\$1.17bn) cash purchase of the Spillers petfood business from Dalgety of the UK: The deal, subject to regula-

tory clearance, would give Nestlé 20 per cent of the European branded petfood market, making it second to Mars. which has over 40 per cent. It is now third behind Spillers, with an 8 per cent share.

back on the acquisition trail. Its shares tumbled SFr35 to SFr2,360 after the announcement, but recovered to close up SFr8 at SFr2,398 against the trend of the Swiss market.

Over the last decade, two thirds of Nestlé's growth has come from acquisitions. Peter Brabeck, who took over from chairman Helmut Maucher as chief executive last June, pledged to reinvigorate its sluggish internal growth. Ken Hanna, chief executive

of Dalgety, said Nestlé had The acquisition is its biggest approached the company early since the 1992 purchase of Per in January. "Spillers Petfoods rier, the mineral water group, is such a good strategic fit to with brands such as Priskies. rowings, its shares jumped

and suggests Nestlé may be Nestlé that they were prepared In 1994 it bought Alpo Perfoods 49%p to 343p as it surprised

Freddie Hasslauer, an analyst at Bank Sal Oppenheim in Zurich, said the acquisition fitted Nestlé's strategy of acquisitions in areas with above aver-

age long-term growth.
Paul Deacon of Goldman Sachs said he expected Nestlé would be able to increase the margins on the Spillers business from around 5 per cent to 8 or 9 per cent.

Nestlé entered the pet food business with the 1985 acquisition of Carnation of the US. which had a big US presence

to pay tomorrow's price from Grand Metropolitan of the market both by the timing today," he said.

from Grand Metropolitan of the market both by the timing the UK for \$510m. It tried to of the disposals and the prices buy Quaker Oats' European pet food business in 1995, but Spillers won that auction.

> Nestlé expects to realise synergles in administration, purchasing, sales and research Friskies is strong in southern Europe and will fit well with Spillers' strength in the UK and northern Europe.

Dalgety also announced the sale of Martin-Brower, its US distribution business, for £120m. It said it would return £650m, or 225p a share, to Martin-Brower sale. shareholders, and pay off bor-

sale last week of Dalgety's food ingredients activities for £360m. In all, the group has netted £1.04bn from the three deals after tax and expenses. Dalgety published results showing pre-tax profits falling

from £43m to £34.8m in the half-year to December 31. Lazards advised Dalgety and Credit Suisse First Boston on the Spillers sale; Morgan Stanley advised Dalgety on the

Asia rally signals end of the beginning

Asia's wake-up call

But analysts doubt whether the upswing will be sustained, Peter Montagnon reports

intended it, but the US president's wake-up call to President Subarto at the height of Indonesia's financial meltdown in January turns out to have been something of a wake-up call to Asian equity

markets as well. Since around that time, share prices across Asia have jumped, culminating in some ctacular rises this week. On Tuesday, Malaysia's market rose 23 per cent, following double digit gains on Monday in several regional markets.

Investors could be forgiven for assuming that Asia's markets, after the pounding they have taken over the last year, are finally on the turn. Professional analysts, how-

to which the rally is likely to be sustained. "It's the end of the begin-

Management in Boston, pointing out that much hardship looms before Asia's economies are finally on the mend. A number of elements needed for a solution have fallen into place, he says.

appears to have entered a new funds, some weighting adjustphase, still question the degree ment by large institutions, and ning, and the beginning of the middle," says Jonathan Francis of Putnam Investment

Among them are active concern by Western governments.

ill Clinton may not have not devalue; indications from South Korean labour unions that they are prepared to accept layoffs; and a concerted effort to deal with private sector foreign debt.

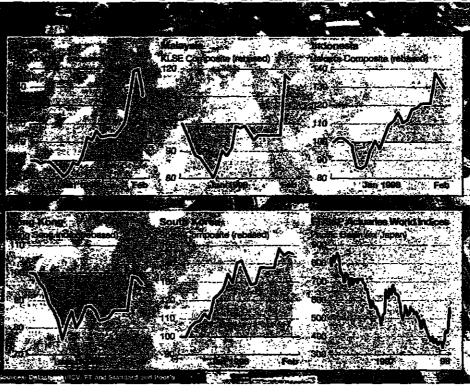
All this has produced a "relief" rally, says Mr Francis, but we are not mobilising a wall of money to throw at these markets."

Doubtless the behaviour of US emerging market investors will play a leading role in the shape of the recovery, but the more conservative institutions, such as pension funds, will need to consider carefully before they re-enter the market, he adds.

There are some signs of US money returning to Asia but it is in small amounts, analysts ever, while they agree the say, and may reflect shorta faint revival of interest among mutual fund investors.

Deep Kapur, regional strategist with Salomon Smith Barney in Singapore, calculates that about \$150m of US mutual fund money flowed into Asia in January compared with an outflow of \$3.5bn during all of last year. But he says Asian markets remain far too volatile to attract volume buying.

Using the call options market as an indicator suggests that the volatility implicit in symbolised by Mr Clinton's Hong Kong equity prices is intervention; a firm commit- two to three times its normal ment from China that it will level he says, adding: "We will



am not sure they will all be on of corporate earnings. There is the upside." of corporate earnings. There is still a need to recapitalise

mong continuing worries are the fear that . Indonesia's private sector debt could be much larger than thought: Mr Kapur puts the exposure of Korean banks to Indonesia as high as \$25bn. Above all there is the con-

cern that what Mr Francis calls the middle phase of the crisis will involve deep and painful adjustment with a con-

see more violent swings, but I sequent delay to the recovery banks, which will take time and effort as owners resist being diluted, says Chris Wood of Peregrine in Hong Kong.

According to Bill O'Neill of HSBC James Capel in London, equity markets may have largely discounted weak economic performance in Asia this year, "but 1999 will be a challenging year, as well very much dependent on success in the export drive."

Mr Wood adds: "Currency markets should bottom before equity markets really recover. There is some evidence of currencies stabilising in South Korea and Indonesia, and Thailand's baht has traded consistently above its low

point for weeks. But more time, and more policy follow-through on economic adjustment, are needed before domestic interest rates can safely come down. Only then will the equity markets really come awake.

Endesa's acquisition targets will test **Enersis link**

By Tom Burns in Madrid

Endesa, the Spanish power group, has targeted acquisitions in Brazil that will test its relationship with Enersis, the Chilean electricity company it controversially took control of

last year. The partnership will have its first trial in a planned joint bid for generating businesses due for privatisation in the first half of this year in the state of

São Paulo. Endesa has set aside some Pta250bn (\$1.6bn) for investment in Latin America this year. The timing of the Brazilian investment is important to Endesa because it coincides with a further stage in the privatisation of the Spanish company.

Disagreements between End-esa and Enersis shareholders cast a cloud over the first stage of the sell-off when the Spanish government disposed of a 25 per cent stake in the power group. With another 20 per cent of the group due to be sold off before the summer, Endesa is anxious to demonstrate the potential of its Chilean partner

Endesa was forced to set aside a wide-ranging strategic alliance with Enersis after shareholders of the Chilean company said the arrangement curtailed their independence. The dispute prompted the dismissal of the Enersis directors who had forged the ambitious link with the Spanish

Rafael Miranda, Endesa chief executive, said the joint venture projects in Brazil underlined the degree to which trust had been restored by a new Enersis five-member

The board has two directors representing Chilean shareholders, two Endesa nominee and a chairman agreed by both "The risk we took with

Enersis has been completely vindicated, and it is the most brilliant investment we will of the Pta205bn investment that bought Endesa 28 per cent of the Chilean company and 32 per cent of its voting rights. A successful outcome of the São Paulo bid is likely to prompt the two companies to join forces again in Mexico. where more privatisations are planned in the utility sector.

MoDo profits fall sharply

MoDo, the Swedish pulp and paper group, yesterday blamed a sharp fall in full year profits on volatile prodnct prices and heavy losses on

currency hedging.

The company, one of the country's largest paper manufacturers, saw pre-tax profits fall from SKr2.92bn (\$361m) to SKr2.03bn last year, even though sales rose modestly from SKr21.5bn to SKr21.9bn. MoDo lost SKr847m on currency hedging compared with a gain of SKr1.45bn in 1996. The group said it was likely to make a further loss of

SKr105m on currency hedging

the start of 1998.

MoDo's most commonly traded B shares yesterday shed SKr9 to close at

SKr215.50. After currency losses, McDo's pre-tax profits rose from SKr1.47bu to SKr2.87bu for the year as a whole and from SKr556m to SKr606m in the fourth quarter. Bengt Pettersson, chief exec-

utive, said demand for pulp had slackened, particularly in Asia, and that pulp prices remained under pressure, although prices for fine paper paperboard and newsprint had been raised recently on most based on exchange rates at European markets. "Demand for forestry prod-

Currency losses were the ucts is firm in Europe, estimated SKr250m a week.

earnings per share of SKr16, causing some uncertainty compared with SKr22. regarding future economic regarding future economic ents," he added.

In spite of a fall in profit margins from 15.2 per cent to 10.2 per cent, the company said that firm order intake and recent price increases

dend of SKr9. • MoDo and SCA, another of Sweden's leading forestry products groups, have warned that a threatened strike by shipping officers at their transport venture would seriously disrupt exports.

The strike, due to begin tomorrow, has been called in a dispute over pay and conditions. Export tonnage by the two paper groups is worth an

GE arm in talks with Toho on life assurance alliance

By Gillian Tett in Tokyo

GE Capital, the financial services arm of General Electric of the US, is considering a joint venture with Toho Mutual, the troubled Japanese life assurance company, to sell pensions and life products.

If the plan goes shead, it will represent a partial bail-out of the Japanese group – the first in Japan's mutual life assurance sector, which has been plagued by heavy losses in

Western companies are stepping up their attempts to penetrate Japan's financial services planned "Big Bang" deregu-GE Capital and Toho Mutual

been taken. According to preliminary discussions, the venture would be majority owned by the US group, which would provide a large injection of capital. The new group would establish a life assurance business in Japan, with Toho Mutual left to manage the existing life policies.

Several Japanese life companies have agreed loose alliances with foreign groups before, but none has sacrificed such a large part of its core business to a foreign partner. If it proceeds, the alliance will be perceived in Tokyo as a markets ahead of the sector's rescue of Tobo Mutual. The company has significant had loans and is regarded as one of the weaker life assurance com-

discussing an alliance but rating agency, has given it

demied any firm decisions had a Casi, or junk bond, rating As several other life companies are understood to be in a weak financial position, the Japanese government is likely to encourage further alliances, Analysts said the move

could prove astute for GE Capital, probably giving access to Toho's client list. It would also be able to ringfence its operations from the old, unprofitable business at Toho, limiting the potential Hability of Toho's huge problems. David Threadgold, analyst at

ING Barings, said: "It looks as if Toho Mutual have just given away their future. But then they probably didn't have a future - this shows the pres sure they are under.' vesterday admitted they were panies. Moody's, the US credit ing its business steadily in

GE Capital has been expand

This announcement appears as a matter of record only



Norfolk and Norwich Health Care NHS Trust

New Norfolk and Norwich Hospital

£214 million, 809 bed acute hospital to be constructed at Colney Lane. Norwich procured under the Private Finance Initiative

The undersigned advised the Norfolk and Norwich Health Care NHS Trust

January 1998

BHAMBROS BANK

HERBERT SMITH

LEGAL ADVISOR

FINANCIAL ADVISOR

KLM mulls buy-back of state's stake

By Barbara Smit in Amsterdam

KLM, the Dutch airline. yesterday confirmed it was considering a buy-back of the 25 per cent stake held held by the Dutch government, as well as other share packages.

The carrier is keen to reduce a mounting cash pile which at the end of last year was about Fl 2.8bn (\$1.37bn). KLM stands to make cent stake. another \$600m from the sale of its remaining stake in an 11 per cent package of 6.5 per cent holding is worth

Northwest Airlines, its US common shares, and a 14 per approximately Fl 335m. partner, in the first quarter cent stake in preferential of this year.

With a string of divestments planned as part of a sen, chief financial officer, restructuring, analysts say stressed yesterday that KLM the airline could have as much as Fl 4.4bn at its disposal in the near future. After last year's 13 per cent state self-off, KLM has

interested in buying back part of the remaining 25 per

However, Rob Abrahamwas also looking at "several other categories" of shares, which he refused to specify. Analysis suggested that the airline may be eyeing always made clear it may be the 4.8m participation certificates - which carry no voting rights - held by the pension funds of KLM pilots.

"This would make a lot of sense." said Richard Brakenhoff, analyst at

Kempen & Co. "By acquiring all the government's common shares and the pension funds certificates, KLM would structurally boost its earnings per share by some It was deemed less likely

that the government would let go of its preferred

interest rates, share buy-backs have become an attractive option for many Dutch companies, although the practice is still hampered by unfavourable tax rules.

Analysts expect many

more such transactions later

this year, after the adoption of tax reforms that should make them less expensive. Mr Brakenhoff added that buying back shares was the most logical solution to KLM's cash surplus, because it lacked other investment

He said: "Since all the troubles with Northwest Airlines, KLM has become a bit paranoid about minority stakes in other atrlines."

In spite of this, KLM last year acquired a 30 per cent stake in Braathens, the Norwegian carrier, and is also looking at stakes in privatised east European

The Dutch airline's collaboration with Italy's Alitalia, agreed last year, did not involve any share

Losses

deepen

Auto

at Saab

By Tim Burt in Stockholm

Saab Automobile, the

troubled Swedish carmaker,

yesterday announced wors-

ening losses after incurring

heavy sales and marketing

The company, 50 per cent

owned by General Motors of

the US, saw pre-tax losses

deepen from SKr1.18bn to

SKr1.83bn (\$226m) last year

after more than doubling its

spending on marketing and

lifting technical development spending 20 per cent. Saab said the results,

achieved on sales of

SKr19.7bn, were in line with

It predicted that the losses

would fall sharply this year

and that it would move into

investment in new models -

the 9-5, the 9-3 and a new

station wagon. Saab has

never before produced so

many new products," the

At the operating level.

Nevertheless, Saab said:

"These results are entirely

consistent with our longer

term recovery plan, which

required significant expen-

ditures on new product

ments in our marketing and

It sold 100,300 cars last

year, 3 per cent up on the

year before. Sales in the US,

its largest market, were flat

Over the past 10 years, more than SKrlibn has

been invested in Saab by

GM and investor, the main

investment vehicle of Swe-

distribution capability."

at 28,300 cars.

losses almost doubled from

SKr658m to SKr1.23bn.

"There has been a heavy

profit in 1999 and 2000.

against

SKr22.4bn

expectations.

group said.

costs on new models.

EUROPEAN NEWS DIGEST

Daf plans further production rise

Daf, the Dutch truckmaker bought by Paccar of the US last year, is to recruit 300 workers at its Eindhoven and Westerio plants and is to increase production for the fourth time within 12 months.

The moves by the company, which was rescued from receivership by the Dutch and Belgian governments several years ago, follow a 41 per cent increase in sales of Dutch and Belgian-produced trucks last year, to a record

When trucks built for Daf by the separately-owned Ley-land Trucks in the UK are included, total sales reached 32,500. Under the ownership of Seattle-based Paccar, the world's second-biggest heavy truckmaker, Daf has launched into a wide ranging product renewal programme and is expecting further substantial growth this year, said Cor Baan, president.

While Daf's financial results are no longer reported separately. Mr Baan said turnover last year rose from Fl 3bn to Fl 3.6bn (\$1.76bn) and that "net profit has followed this

Paccar, which has never incurred a loss in more than 60 years of trading, yesterday announced soaring sales and record profits for last year. Net income jumped 71 per cent to \$344.6m; or \$4.43 a share, from \$201m, or (\$2.59 a share in the previous year. Consolidated sales were 50 per cent higher at \$6.5bn. Unit sales of Paccar's Peterbilt, Kenworth, Daf and Foden trucks rose to just under 80,000, said Mark Piggott, chairman

The latest planned production increase at Daf will lift output to 110 trucks a day. At the time of Paccar's takeover, daily output was 65 trucks. Daf has now become probably Europe's most profitable truck maker", Mr John Griffiths, Amsterdan Piggott said.

Renault VI, the truck making arm of the French carmaker, yesterday reported a 12 per cent advance in annual unit sales, spurred by export growth and a strong performance by Mack Trucks, its US heavy trucks subsidary. The improvement, from 64,560 vehicles in 1996 to 72,280, puts the group within striking distance of 1995 sales levels of more than 75,000 units.

Mack accounted for the bulk of the gain, with sales ahead 20 per cent to 30.025, against 25,010 in 1996. The group said Mack started the current year with "exceptional" order bookings. It expects the European market for trucks over five tonnes to remain stable in 1998 at David Owen, Paris about 250,000 registrations.

■ VOICE TECHNOLOGY

Belgian group sharply up

Lernout & Hauspie, the Belgium-based voice technology specialist in which Microsoft recently acquired a \$45m stake, yesterday announced sharply higher fourth-quarter and full-year results together with plans for a 2-for-1 stock

The 10-year-old company, which is quoted on the Nasdaq and Easdaq exchanges, reported fourth-quarter net income including one-time charges and currency gains of \$9.5m, compared with a loss of \$9m a year earlier, on revenues up 150 per cent to \$33.8m.

Revenues for the group, which announced a strategic partnership with Microsoft in September, included \$8.5m from the core speech technologies activities, \$10.1m from the dictation division, \$10.5m from translation services and \$4.8m from machine translation.

For the full year, the company reported net income excluding one-time charges of \$22m, or \$1.14 a share, compared with \$3.5m, or 0.21 a share, in 1996. Paul Taylor,

■ PACKAGING

Compagnie Générale d'Industrie et de Participations, the French industrial holding company headed by Ernest-Antoine Seillière, president of the country's main employers' federation, is selling about half its stake in Crown

CGIP said that the sale back to the US packaging group of 5.3 per cent of its equity capital would close on March 2 and that it would receive about FFr2.2bn (\$361m).

computer consultancy, and Valeo, the car parts group. said the deal was "to strengthen its cash position and

Crown Cork & Seal shares. The companies said that the deal put an end to a 1996 shareholders' agreement and that CGIP would lose the right to designate Crown Cork & Seal directors.

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Bosch benefits from Mercedes' mishap

problem with its wayward A-Class car, observers assumed the biggest beneficiaries would be rivals, such as Volkswagen, into whose small car territory it had strayed.

Almost four months after the A-Class's misadventures in the now infamous "elk low suit. And Bosch's speedy test" manoeuvre, the focus has shifted to suppliers.

None has more to gain than Robert Bosch, the world's second biggest car parts group, which is one of Mercedes-Benz's most important suppliers.

Bosch specialises in car edged," says Mr Scholl. parts, but has operations in and capital equipment. It which first brought electronboxes which will keep the A-Class on four wheels when encountering Nordic beasts or other diversions, by applying the brakes selectively to prevent roll.

Hermann Scholl, Bosch's chairman since 1993, is the last to gloat about the problems at one of his best customers. But he admits Mercedes-Benz's decision to fit solidated Bosch's position as says. the Electronic Stability Programme will contribute a substantial amount of additional business".

While the move meant disrupting production plans automotive division, itself capital "to triple the voladvantage Mercedes' mis-

limited to luxury cars which now looks set to break into the mass market

Mercedes' decision to install ESP will create a new benchmark in the small car segment, obliging others to foldilemma has improved relations with one of its best clients. "I have the feeling Mercedes-Benz really understood

ESP is an extension of the consumer goods, telecoms automated braking systems automotive and consumer makes the electronic black ics into the mechanical world of brakes. ABS, one of Bosch's main businesses, like ESP, started on luxury cars before trickling down.

Braking and stability control systems were already A-Class affair. In 1996, it bought the light vehicle braking activities of Alliedone of the biggest manufacturers and gave it a large slice of the US market. Brakes are now the biggest single part of the group's

and the allocation of more Bosch's largest business. The company is about to umes". Mr Scholl is not so announce group sales rose more than 13 per cent to

hen Mercedes-Benz The decision to re-engineer DM29bn - came from the admitted it had a the A-Class has drawn attenmotor industry, with braktion to ESP, a system so far ing systems accounting for about DM6bn. Power tools. white goods and heating equipment are expected to Many analysts believe have represented about DM10bn; telecoms about DM5bn; and capital equipment, DM2bn.

About six percentage points of last year's rise in response to its customer's group sales came from genuine growth, says Mr Scholl, while four percentage points derived from acquisitions, notably the first full year's we made a very big effort for contribution from AlliedSiga major customer. I think nal operations. The sales that has been acknowl- increase was "about 3 per cent more than I had expected" and was driven by the goods sides, he says.

Nevertheless, the pressure on components has been relentless as carmakers have demanded lower prices. "Due to the strong globalisation of the motor industry and our dependence on growing for Bosch before the many German plants, the profitability of the automotive side has deteriorated significantly in the past five Signal, of the US. That con- to seven years," Mr Scholl

e has already intro-duced plans to improve matters. e has already introyear into one operation, of new techniques to Although car demand is reduce emissions. The comfairly mature in Europe, the pany is also active in direct iapan, he se DM46.6bn (\$25.6bn) last year. tial in new markets. Even in haps have had for Bosch. About 62 per cent - or mature regions, growth tial through links between



Hermann Scholl: 'substantial additional business

could come from the adop- businesses, such as in-car products such as ESP.

He does not envisage any big acquisitions on the automotive side, although he is alive to opportunities in Asia after the turmoil there. The diesel and petrol engine systems business -

about as big as braking for established around the world. Here the growth potential lies in technological change. Bosch is the duced plans to leader in common-rail diesel engines, which are emerging Braking was reorganised last at the forefront of a number spanning the world, improve performance and

Mr Scholl sees big poten-

tion of more sophisticated entertainment, navigation systems and telecoms.

Bosch is one of the world's two main producers of onboard navigation systems. Demand has so far been relatively small, largely because of limited software and high prices. But Mr Scholl reckons sales could leap with the incorporation of real-time traffic information into route-planning systems.

Such a development will remove one of the most important limitations for onboard pavigation technology. The other hurdle remains price, but costs will fall as volumes rise to meet expected growth in demand.

Haig Simonian and Graham Bowley

Brussels clears Roche's Corange deal

By Emma Tucker in Brussels

Roche, the Swiss pharmaceuticals group, has won European Union regulatory clearance for its \$11bn takeover of Corange, a private Bermudabased company which owns the German diagnostics company Boehringer Mannheim, by agreeing to sell most of its clinical chemistry in-vitro diagnostics business.

It will also have to offer more licences for PCR, the technique used in diagnostics and DNA fingerprinting to detect genetic material.

A five month antitrust investigation by the European Commission concluded that Roche's takeover of Corange, a leading medical diagnos-

Deutsche Morgan Grenfell

Salomon Smith Barney

Commission said the concessions, which it will monitor closely, were enough to reduce the parties' market shares and strength in the relevant national and product markets.

"The EU's conditions are hard, but they have no substantial effect on the acquisition," said Roche. The takeover must still be cleared by the US Federal Trade Commission. Roche expects the FTC

announcement "in the near future". The Roche-Corange deal, announced last May, is the biggest acquisition in Roche's history and will create one of the world's top two companies in the \$19bn-a-year mar-

tics specialist, would squeeze compe- ket for diagnostic equipment, with plus Norway, Iceland and Liechtentition in clinical chemistry. The annual sales of SFr3.5bn (\$2.3bn) and 13.500 staff.

The Commission inquiry found that for clinical chemistry in-vitro diagnostics - used to test for glucose, cholesterol, sodium and other substances in the body - the merged company would have a dominant position in Austria, Denmark, Germany, Finland, Portugal, Spain and Sweden. Roche, therefore, agreed to divest the majority of its business in these member states.

The Commission also found that Roche had built a dominant position in the market for DNA probes in all member states of the European Economic Area - the European Union turers of artificial joints.

The merger would have strengthened this position even further, as Boehringer Mannheim was about to enter the market and would have become one of Roche's most serious competitors.

license the PCR technology will allow new entrants into the DNA probe market and should accelerate that market's development.

Through the deal, Roche will also acquire control of DePuy, a USquoted company which is 84.2 per cent owned by Corange. DePuy is one of the world's leading manufac-

den's Wallenberg business empire, which holds 50 per cent of Saab. GM has a put and call option over Investor's 50 per cent holding, Brussels believes the agreement to exercisable in 1999.

Volvo, the Swedish automotive group, said yester-

day its 1997 truck deliveries climbed 8 per cent to 68,981 units. Deliveries to the European market fell 1 per cent to 34,463 trucks. Deliveries to the North American market were 20,903, np 24

CGIP to halve Crown Cork stake

CGIP, whose holdings include stakes in Cap Gemini, the

take strategic initiatives". Following the transaction, it will hold 4.99 per cent of

Allianz (t) Allianz Finance B.V. Amsterdam, The Netherlands DM 2,000,000,000 3 % Exchangeable Bonds of 1998/2003 exchangeable for shares of Deutsche Bank Aktiengesellschaft under the unconditional and irrevocable guarantee of Allianz Aktiengesellschaft Berlin and Munich Issue Price: 100 % Joint Lead Managers - Joint Bookrunners Dresdner Kleinwort Benson SBC Warburg Dillon Read

J. P. Morgan Securities Ltd.

Société Générale

Newmont Mining Corporation

Annual results 1997

m EPS up 70 % before merger costs

■ A record production of nearly 4 million equity ounces

Newmont Mining Corporation and Newmont Gold Company earned \$1.07 per share for the full year before costs associated with the acquisition of Santa Fe Pacific Gold

what we set out to accomplish". He said highlights for the past year included: The successful and orderly integration of Santa Fe,

Newmont's Chairman, President and Chief Executive Officer Ronald C. Cambre said 1997

 Record production of nearly 4 million equity ounces against 3.1 million in 1996, A 14 percent reduction in total cash costs to \$187 per equity ounce, making Newmont

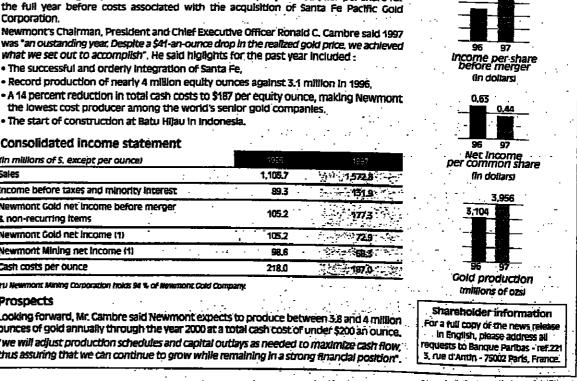
the lowest cost producer among the world's senior gold companies. The start of construction at Batu Hilau in Indonesia.

Consolidated income statement (in millions of \$, except per ounce) 15728 income before taxes and minority interest 131.9 Newmont Gold net income before merge 177.3

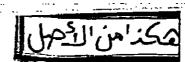
& non-recurring items Newmont Gold net Income (1) 729 - • Newmont Mining net Income (1) 58.5 Cash costs per ounce 187.0 :- 37

thus assuring that we can continue to grow while remaining in a strong financial position.

Looking forward, Mr. Cambre said Newmont expects to produce between 3.8 and 4 million ounces of gold annually through the year 2000 at a total cash cost of under \$200 an ounce, we will adjust production schedules and capital outlays as needed to maximize cash flow:



Newmont





COMPANIES AND FINANCE: EUROPE

SBC lifts payout 20% ahead of merger

Swiss Bank Corporation yesterday reported a 60 per cent increase in 1997 net had been forecasting as which was below some analysts' expectations, but SFr800m in the second half der its share of the SFr7bn sweetened the disappoint of 1997 was about SFr200m restructuring costs of the ment by proposing to raise

at yesterday's extraordinary SFr1.33bn earned in the first general meeting, where half of 1997. SBC's profits shareholders overwhelm have been growing faster cial factors, were comfortingly voted to merge with than those of its two bigger ably shead of budget and the UBS and end SBC's 125 years rivals, but the results sugof independence. Although gest its trading profits have to SFr12 a share to mark the

the profit was in line with been hurt by the recent volathe bank's earlier forecasts, it was lower than the SFr2.5bn that some analysts income to SFr2.1hn, (\$1.4bn), recently as last December.

Net income of about higher than in the compara-SBC announced the result sharply down on the

tility in the financial markets and the problems in south-east Asia.

SBC will report a "technical loss" of SFr300m for 1997 because of the need to shoulmerger with UBS. Although its dividend by 20 per cent. ble period of 1996, but it was it will have lost money for two years in a row, Marcel Ospel; SBC chief executive, said the results, before spe-

"successful performance". He also indicated that the new UBS would aim to pay out between 40 per cent and 50 per cent of its earnings. Mr Ospel, who will be

chief executive of the enlarged group, said the new group had set itself some "very ambitious" goals. Nevertheless, even if it achieved a sustainable rate of return on equity of between 15 per cent and 20 per cent, it would still be well below that achieved by comparable banks in the US and UK. Mr Ospel said the group's

business, which would be pension fund management. the biggest in the world, will In investment banking, the grow revenues by 10 per cent aim is to be one of the top a year and its activities out- five international investside Switzerland would be ment banks. significantly expanded. It will also be the world's fourth biggest asset manager. UBS's claims that the two

its peer group. Revenues on this side of the business are targeted to the merger announcement grow by 12 per cent a year and the emphasis will be on customer confidence, he globalising investment fund said.

Sony Music, the record

company behind Celine Dion

and the Manic Street Preach-

ers. is in talks with indepen-

dent record labels in France

and Germany as part of its

strategy of creating a Euro-

pean network of independent

Paul Russell, president of

Sony Music Europe, a sub-

sidiary of the eponymous

Japanese electronics group,

said he hoped to win invest-

ment or distribution deals

with a number of indepen-

dent labels to establish an

alternative for distributing

Sony has longstanding

agreements with several UK

independent record compa-

nies, including Creation.

which represents Oasis and

Primal Scream, and Nude,

Suede's Jabel. These deals give Sony exclusive rights to

distribute their music out-

side the UK, and substantial

music throughout Europe.

Sony woos

European

record labels

rior investment performance

and rank in the top third of

enlarged private banking distribution and expanding Mr Ospel also went to

some lengths to back up with a goal to deliver supe- banks were not suffering a massive defection of clients as a result of the merger. SBC had enjoyed a net inflow of client funds since which was a clear sign of

with Sony through its SINE (Sony Music Independent

Network Europe) subsidiary

based in London. SINE chan-

nels their releases through

distribution networks owned

by existing Sony-owned

labels, such as Epic or

step would be for the inde-

pendent labels within SINE

to distribute each others'

releases in their own mar-

kets. This process will start

with Yo Mama handling the

distribution of The Divine

Comedy, a band signed to

Setanta, one of the UK inde-

network will also signifi-

cantly increase Sony's distri-

bution capacity, according to

Mr Russell, thereby enabling

more SINE recordings to be

of those recordings should.

in theory, help to ease the

traditionally haunted inde-

Mark Chung, senior vice-president of SINE, has

"two or three" labels in

France and Germany.

pendent record companies.

The revenue from the sale

released across Europe.

The creation of the new

pendents linked to SINE.

Mr Russell said the next

Columbia, in Europe.

EUROPEAN NEWS DIGEST

Astra USA sues ex-chief executive

Astra USA, a unit of Swedish pharmaceuticals company Astra, has filed a suit against Lars Bildman, former chief executive, alleging fraud and related wrongdoing. The company claims in the suit that Mr Bildman used Astra USA funds to perform about \$2.3m of work on three homes he once owned. The company is seeking reimbursement for that and other expenses. It hopes to obtain an award in excess of \$15m.

An attorney representing Mr Bildman was not immediately available to comment.

Mr Bildman was fired by the company in June 1996. At that time. Astra accused him of using company funds for personal expenses. He also faced allegations of sexual

■ OIL

Saipem rises 10% to L266bn

Saipem, the oilfield services division of Eni, the Italian oil and gas group, has reported a 10 per cent rise in 1997 operating income ahead of a planned share issue that will see its parent company reduce its stake from 66 per cent to about 45 per cent. The company said operating income last year was L266bn (\$146m), against L242bn in 1996. Operating revenues rose from L2,802bn to L3,189bn, and net income was L200bn, against L175bn, Saipem's share issue, due to get under way next month, is expected to raise up to L1,200bn. Some 40m new shares will be issued. SBC Warburg Dillon Read, which has been advising Sai-

pem. is joint lead manager and bookrunner with Goldman Sachs and IMI, the Italian investment bank.

Vincent Boland

Grea Mclvor, Stockholm

5 FASHION RETAILING

H&M to expand after 32% lift

Hennes & Mauritz, the Swedish-based international fashion retailer, is stepping up its rapid European expansion with plans to open 60 outlets this year. H&M, which yesterday reported a 32 per cent surge in full-year profits. said six of the stores would be in France, a new market.

Pre-tax profits rose from SKr1.9bn to SKr2.5bn (\$309m). This was in line with market expectations but H&M shares fell SKr11.50 to SKr352 on profit-taking. The company added 47 stores during 1997, helping to lift sales from SKr17.2bn to SKr21.3bn. H&M said demand was weak throughout 1997 across the 11 countries in which it operates, although a slight improvement was noted in Scandinavia. Short-term and long-term liabilities rose from SKr2bn to SKr2.46bn. Earnings per share advanced from SKr6.43 to SKr8.17 and the dividend was set at SKr3.

■ BRICKS

Wienerberger jumps 55%

Wienerberger Baustoffindustrien of Austria, the world's biggest brickmaker, said yesterday 1997 pre-tax, pre-excep tional profits rose 55 per cent from Sch1.37bn to Sch2.12bn (\$166m), Sales rose 2 per cent to Sch15.4bn. The company had forecast a 25 per cent rise in profits to Schl.7bn. which was revised in mid-1997 to Sch2bn. It said it wanted to develop its industrial activities while keeping profits at

Telekom warns of cuts in investment

By Frederick Stüdemann

Deutsche Telekom, Germany's biggest telecoms company, yesterday warned that an unfriendly regulatory environment could force it to scale back substantial infrastructure

investment plans. Ron Sommer, chairman, said that while he welcomed the liberalisation of Germany's telecommunications market at the start of the year, Deutsche Telekom resented having to "roll out the red carpet for our competitors" by providing infrastructure and other services at below cost.

He said that Deutsche Telekom, which was partially privatised in 1996, planned to invest DM50bn (\$27.5bn) by 2002, more than double the amount planned by the company's three main competitors put together.

We will examine carefully whether we can afford such considerable investments in the future, of the information society if competitors profit for free from them and the productivity gains they create."

Deutsche Telekom would

not "subsidise" its competi-

"In plain words this means, for instance, that we expect our competitors to substantially share the costs: involved if we create the technical and administrative conditions for a customer to be able to switch to a

Mr Sommer's .. comments follow Deutsche Telekom's reluctant concession last month to reduce by half charges levied on customers switching to the company's competitors - most of which lease capacity from the for-

mer monopoly.

He said that the regula tory framework that had been put in place since liberalisation was unsatisfactory. It had heralded a price war rather than stimulated competition in quality and innovation.

Separately, Deutsche Telekom yesterday announced the establishment of a new subsidiary, called T-Mart, to develop internet retailing possibilities for Germany's small and medium-sized

The other partners in the venture are International Rusiness Machines, the US computer company, and Intershop, a German electronic commerce group which is partly owned by Deutsche Telekom.

Beetles want Beatles, if VW can afford it

By Graham Bowley in Frankfurt and Alice

Volkswagen, the German car company, hopes to ride a wave of 1960s nostalgia by featuring the Beatles' music in launch advertising for its new Beetle car.

If the deal goes ahead, Volkswagen would be expected to pay a record sum.

The highest amount paid so far for the advertising rights to a single song is the \$8m paid by Microsoft to the Rolling Stones to feature Start Me Up in its Windows 95 campaign. Bruce Springsteen is said to have rejected a \$12m offer from Chrysler in 1987 to use Born In The USA in a car commercial.

Volkswagen confirmed this week that it was in "early, early" discussions with Apple, the Beatles' management company, in the hope of securing consent of the three surviving band members - Paul McCartney, George Harrison and Ringo Starr - and Yoko Ono, John Lennon's widow.

The first time a Beatles song was used in an advertisement ended in controversy when Apple claimed that Nike had used Revolution in a 1987 sports shoe its advertising agency, together with Capitol, the EMI, the latter's parent com-

Reluctant to risk a repetiinclude Beatles' music in the Beetle campaign, due to start in the US this spring



The Fab Four may back VW's new car, if rights are granted

and the UK next year, only with Apple's consent.

. If Apple agrees, Volkswacommercial without permisgen will have to negotiate a other music publishing sion. Apple sued Nike and price for the advertising rights for \$48m in 1985.

its advertising agency, rights with the owner of the The value of the advertischosen song. The rights to Beatles' US record label, and 'almost all the classic Beatles' compositions belong to pany, claiming \$15m in Sony ATV Music Publishing. Sony acquired Northern

Songs, the Beatles' music tion, Volkswagen will publishing catalogue, in 1995 as part of a \$500m deal with Michael Jackson, one of its best-selling pop singers. Mr Pizza Hut commercial.

Jackson, now a minority shareholder in Sony ATV. bought Northern Songs and

ing rights to pop and rock recent years, as advertisers have sought to appeal to age ing "baby boomers" as well as to younger consumers. Aretha Franklin, the US singer, even re-recorded Res-

both companies. Last month, Sony secured similar accords with Skint and Loaded, a UK dance label, and Double T Records started talks with various in Belgium. It also struck a European labels and is in distribution deal with Yo active negotiations with

Mama, a German dance and songs has risen rapidly in acid jazz label.

minority shareholdings in cashflow problems that have

French group sniffs out funds to market 'nose'

By Andrew Jack in Paris

A small French company in the south western city of Toulouse plans to seek money with a quotation on the Paris "nouveau marché" this spring to help it finance the marketing of its pioneering electronic noses and

Alpha MOS, founded in 1992, claims to be the world leader in the development of 'noses" which are already widely used in corporate research laboratories and being introduced to help quality control in manufac-

bundred of its One systems have already been bought by companies includ-

ing Coca-Cola in the US, tem would never replace the Danone in France and Unilever in the Netherlands.

The international police network Interpol has worked with the company to build up a databank of the smells of criminals and to investigate criminal activities through such analysis as detecting the odours of different banknote inks.

Alpha MOS is also running a pilot project with the RATP, the Paris transport authority, to survey the smells in its underground system and to regulate the introduction of perfumes. Jean-Christophe Mifsud,

the chemist who founded the company and is its president, stressed that his sys-

need for human creativity in developing new food, drinks, perfumes and other products, but it could help

ensure consistency. The company has previonsly focused on its "electronic nose" with applications in the agro-food, chemicals, perfumes, cosmetics and packaging sectors. It estimates there will be considerable growth in applications related to the environment in the future, such as monitoring pollution levels.

However, it is also developing an "electronic tongue" to detect odours in liquids. and is working with Dutch researchers on an "electronic mouth".

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ASIA-PACIFIC NEWS DIGEST

Jet Tour files

for bankruptcy

Jet Tour, one of Japan's leading travel operators, is to file

The company blamed a credit crunch which meant it was

for bankruptcy with liabilities of about Y27bn (\$214m).

unable to meet a YL9bn payment for air tickets, due on

Tuesday. Speculation about its financial difficulties had

led to problems raising funds to maintain cash flow, the

Poor conditions in the Japanese travel industry also lay behind the collapse. The yen's weakness has made holidays in the US and Europe more expensive. More

recently, the depressed state of the domestic economy and worries over job security have led to steep falls in interna-

Creater competition at home from new discount operators has taken its toll on the more established operators. Jet Tour, which is unlisted, is the largest bankruptcy to

date in Japan's travel industry, but other operators could

Sanwa Bank, one of Japan's largest banks, yesterday

confirmed it was Jet Tour's main bank but denied that it

had forced the closure. It refused to reveal the extent of

Richmond and Lowe Walker, two New Zealand meat pro-

form the country's biggest beef processing and export marketing concern. Richmond is already one of the coun-

try's biggest sheepmeat processors, and the takeover of

Lowe Walker, which is also based on North Island, will

The move follows the decision of Graeme Lowe, the

orincipal shareholder and managing director of Lowe

boost its annual sales revenue by more than 30 per cent to

Walker, to reduce his involvement in the industry after 40

years. He said the merger would increase the stability of

the industry, which had been under intensifying competi-

After the merger, Richmond will control 37 per cent of

tion. Mr Lowe will retain ownership of the group's tan-

the North Island's beef processing industry, and 38 per cent of its lamb kill. John Loughlin, chief executive of

Richmond, said the merger would give the group greater

market penetration overseas, reduce its average unit

NTT plans undersea cable unit

NTT, Japan's largest telecommunications company, plans

to set up a unit to lay undersea communications cable and provide cable maintenance and consulting services.

Cable and Wireless Marine, a subsidiary of the UK tele-

Junichi Miyazu, president of NTT, said the new com-

pany and co-operation with C&W would allow it to tap the

Asian undersea cable market, which is expected to grow

significantly with rising telecoms demand in the region.

NTT, which is entering the international telecoms market for the first time since it was separated from KDD, the

coms company, will take a 25 per cent stake.

nery, fellmongering and rendering facilities

■ TELECOMMUNICATIONS

cessing companies, yesterday announced a merger to

Meat processors to merge

Bethan Hutton, Tokyo

Terry Hall, Wellington

company said.

tional travel.

its exposure to the company.

■ NEW ZEALAND

NZ\$850m (US\$499m).

Fuji Bank executive to chair Yasuda

By Gillian Tett in Takvo

Fuji Bank, one of Japan's largest, is to dispatch its vice-president to regarded as a test case for the become the chairman of Yasuda Trust Bank.

The move could pave the way for a closer integration of Yasuda Trust's operations into Fuji Bank. Fuyo corporate group, which is one of Japan's largest commercial

The fate of Yasuda Trust is

restructuring of the Japanese financial sector and its ability to deal with troubled companies. Yasuda Trust is a member of the

centred around Fuji Bank. The announcement vesterday fourth largest broker, was also triggered heavy trade in the banks' allied to the Fuyo group, but when viable future - leaving many ana-

shares: Yasuda Trust rose Y17 to Yamaichi ran into financial difficlose at Y256 and Fuji fell Yo to culties last year, Fuji Bank refused to save the broker.

This initially prompted speculation that Fuji Bank might also refuse aid to Yasuda Trust, which has been weighed down with bad loans and has an equity portfolio which is highly sensitive to falls in the stock market.

However, since Yamaichi's col-Yamaichi, formerly Japan's lapse, Fuji Bank has stressed that urth largest broker, was also it believes that Yasuda Trust has a

effect chosen to support Yasuda Yasuda Trust is seeking to raise its Trust instead of Yamaichi.

Officials at Fuji have also indicated that they want to create a the largest shareholder in Yasuda ment permits such a step later this year. Yasuda Trust yesterday denied that any holding company would be formed imminently. Nevertheless, Fuji has recently been building its ties with the group. It has informally indicated that it

ve to the Manilla Composite

lysts to conclude that it had in Y100bn (\$792m) extra capital that capital adequacy ratio.

holding company when the govern- and could push its ownership towards 20 per cent, Yasuda Trust indicated yesterday.

Meanwhile, Fuji Bank will send Kazuhiko Kasai, deputy president, to be an adviser to the group. He would become chairman in the summer, subject to shareholders' would provide a large portion of approval, the companies said.

Peso behind Petron's first loss for 22 years

By Justin Marozzi in Manila

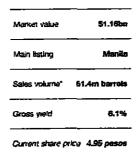
Petron. the larges Philippine petrol group, slid into the red for the first time in 22 years after the peso crisis hit earnings.

The results added to concerns in the Philippine oil sector, with new entrants yesterday threatening to leave the country unless Congress ruled on the industry's deregulation.

Late last year, the Supreme Court issued an injunction halting price rises and declared unconstitutional the law deregulating the oil industry. Shortly afterwards, oil companies said they were "bleeding" and the industry has since been in a state of limbo waiting for a new deregulation law.

Petron, which is 40 per cent owned by the governblamed its 1997 net loss of compared with 26.4 pesos

Profile: Petron



631m pesos on its inability to pass on spiralling costs to compensate for the collapse of the peso. The group lost 2.1bn pesos (\$52m) in the fourth quarter alone. In 1996, its profits were 4.2bn pesos. The currency has fallen to Saudi Aramco, yesterday 46.66 pesos to the dollar.

1993 84 95 96 97

whelmingly bearish on the group's prospects in the present environment. it as attractive." Alex Connor, head of Petron also identified the research at Indosuez W.I. Carr, said: "We think

operating profit with the fall tions, said: "We don't know of international crude and if we are going to continue the recent price increase. under a regulated regime But margins will still be quite thin and we don't view

1994 95

entrants - France's Total.

Coastal of the US. Petronas of Malaysia, and the Petroleum Authority of Thailand planned to invest \$400m-\$500m but were holding off until a new law was passed.

"Congress adjourns on Friday and if there's no law by then, the odds are there won't be one until after elections in May," he said, "They just can't wait that long."

The PIP said: "The frustrations of Total are equally shared by all other new players and unless decisive action is taken on or before Congress adjourns . . . most if not all...may terminate Philippine operations and move their investment else-

A special bicameral meeting is due to be held in the Senate today to discuss a new oil subsidy and a transition phase. The government favours no subsidy and no transition phase, but populist politicians want it incor-

with the government controlling our prices." Rey Marquez, executive director of the Philippine deregulation issue as a big Institute of Petroleum, said problem. Virginia Ruivivar, yesterday that four new head of Petron investor rela-

costs, and boost revenues and shareholder returns. Fur-Saison disposals include Inter-Continental hotels ther details of the agreement will be released before a Richmond shareholders' meeting on March 30.

By Bethan Hutton in Tokyo

Japan's Saison group is to sell assets including the Resorts group to cover bad debts, mainly at group com-panies affiliated with Seiyu. the supermarket operator.

The group's need for cash yu's financial year. was underlined yesterday when Seiyu revealed it

Net income before taxation

to ordinary shareholders

Dividends per share (cents)

Net cash, deposits and

short-term investments

Platinum-ounces refined

Square metres per stoping

and cleaning employee*

Cost per platinum refined ounce'

Metres face advance per month

Average market prices achieved

Statistics

Tons milled

Head grade

Palladium

Nickel

Platinum

Palladium

Rhodium

Headline earnings per share (cents)

Net profit attributable

Headline earnings Earnings per share (cents)

company, and other companies in the Saison group. Itochu will pay about Y130bn (\$1bn) for 28.62m shares in Family Mart, which will take its stake to 30.6 per cent. The sale is due to be completed by the end

of this month, the end of Sei-

Seiyu has reduced its holding in Family Mart from would sell its 21 per cent about 50 per cent to 20.9 per

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Six months

31/12/97

1,081.9

Highlights from the Interim Report

for the six months ended 31 December 1997

group as other Saison-linked companies will maintain a substantial stake.

Petron will make a slight

before the currency crisis

Analysts have been over-

began in July.

Saison also confirmed it was negotiating with at least three hotel groups interested in the Inter-Continental chain, which it bought for \$2.1bn in 1988.

Bass, which owns the Holiday Hospitality hotel chain, Ladbroke, owner of Hilton International, and Marriott stake in the Family Mart cent over the past three International are believed to

Pro forma

30/06/97

341.1

Pro forma

31/12/96

Rm

421.0

Six months

ity, a US real estate investment trust, is also thought offers. "The timing bothers to be interested.

Inter-Continental is wholly owned by Saison group companies, with Seiyu the largest shareholder. Saison had planned to float Inter-Continental on the New York Stock Exchange this year but offers from other hotel groups had persuaded it to sell instead.

Analysts said yesterday's

Continental to lower their me," said Ken Egusa, retail analyst at UBS Securities in Tokyo, "Marriott and Hilton are not going to bid high

Several Saison group companies have bad debts dating from the bubble economy period, when they expanded into property.

Tokyo City Finance, a nonbank subsidiary of Seiyu, is

solidated debts amount to at least Y1,300bn. Parent company debts are about Y300bn.

Selyu is also suffering from the difficult retail climate in Japan. Its share price dropped from Y1,200 a year ago to a record low of Y332 last month. The shares rose Y25 to Y505 yesterday on news of the planned Inter-Continental sale, but

convenience store chain to years. Family Mart will be the three main bidders. sale of Family Mart could thought to be in greatest dif- before the Family Mart deal Itochu, the Japanese trading remain within the Saison Patriot American Hospital- prompt bidders for Inter- ficulty with large non-perwas announced. Jardine Fleming set to buy

assets of Peregrine arm

in Hong Kong

Jardine Fleming, the Hong Kong-based investment bank, is poised to buy a substantial part of the assets of Peregrine Asset Management, the fund management arm of the failed securities company.

In spite of reports that Peregrine's liquidators have struggled to find buyers for PAM, market sources said Jardine Fleming would take control of an Asia Pacific bond fund worth between \$80m and \$100m and nine smaller funds, mainly comprising unit trusts.

would be premature to pro-

vide details. This week, Banque Nationale de Paris bought the Greater China equity divisions of the failed investment bank, securing what many regard as Peregrine's most attractive investment. The move, which involved

about 150 staff and several of Peregrine's top executives, left about 500 staff at the group's equity business. After an initial offer for all of the equities business failed to secure approval, Banco Santander of Spain notably the Indonesian has been considering an rupiah.

say only that it was in offer for other assets, "ongoing discussions" with including Peregrine's New the liquidator and that it York, Singapore and London

operations. Peregrine, which grew to become one of Asia's largest independent investment banks, collapsed last month following the failure of a planned \$200m capital injec-

Zurich Group of Switzerland, which was to take an equity stake in the Hong Kong company in return for the capital, pulled out of the deal after it emerged that Peregrine had substantial loan exposures to regional companies and currencies,

Japanese international telecoms company, aimed to expand aggressively in the Asian market. Mr Miyazu

■ COMPUTERS **NEC** lifts Philippine investment

NEC, Japan's biggest semiconductor and personal computer maker, said it planned to invest a further 1bn pesos (\$25m) at its newly opened electronics components plant in the Philippines. The additional investment would be made over the next three years, aiming to raise monthly capacity of printed wiring boards from the present 13,000 sq m to 20,000 sq m. NEC said. It also plans to raise monthly output of automotive relays from the present 1.2m units to 3.5m. NEC said it planned to upgrade capacity because of the substantial rise in orders.

Michiyo Nakamoto, Tokyo

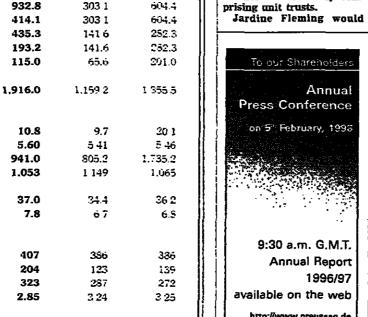
AFX-Asia, Tokyo

■ CORRECTION

Siam City Bank

An article in yesterday's FT incorrectly identified a bank whose shares were suspended by the Thai Stock Exchange. The suspension applied to shares in Siam City

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com



1.749

629

1.193

14.24

*On-mine, treatment and refining assh cross net of all other metal revenue **Based on total reef square metres

An interim dradend of 115 cents has been declared to ordinary shareholders registered at the close of business on Friday 20 February 1998, payable on Friday 3 April 1998.

(g/ton)

(US \$.'oz)

(US \$/oz)

(US \$/oz)

(US S/1b)

(R oz)

(R, oz)

(R/oz)

1.956

1,545

(R/lb) 13.63

980

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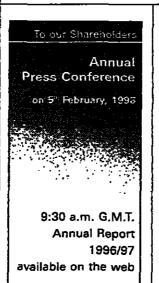
1.235

14.20

562

Parments from London will be made in United Kingdom currency. United Kingdom income tax will be deducted from the dividend where applicable. 4 February 1998

> The full test of the Interim Report will be posted to shareholders and copies may be obtained from Angio American Corporation, 19 Charterhouse Street, London ECIN 6QP Internet address, http://www.amplats.co.za



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entried to 13 ordinary shares of 25 pence each in the capital of Reures Group PLC ("Reuters Group Shares") and £13.60 m cash.

Holders of the Bonds ("Bondholders") should note that as from the Effective Date the Exchange Rights tas defined in the Trust Deed constituting the Bonds (the "Trust Deed")) in respect of the Bonds will be suspended until the cash amount receivable in respect of the Exchange Property (as defined in the Trust Deed) is received and applied as referred to below. Thereafter Bonds will be exchangeable for Reurers Group Shares and not Reuters Holdings Shares. The cash amount received in respect of the Exchange Property will be applied by the Issuer or a subsidiary of the Issuer within one month of the Effective Date in purchasing additional Reuters Group Shares (net of any expenses incurred by the Issuer or any such offcup Shares (net of any expenses incurred by the Issuer or any such substancy or the Trustee including expenses in connection with such purchase and expenses and legal costs in connection with the amendment of the Exchange Rights). Additional Reuters Group Shares equal to the number of Reuters Group Shares so parchased shall be added to the from its own holding to form part of the Exchange Property at a value to be

conducters will be informed of their amended Exchange Rights by further notice promptly after the cash amount has been app

(as defined in the Trust Deed) a Bondholder is equitled to exercise his Exchange Rights before the Effective Date if he wishes. THIS NOTICE IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO WHAT YOU SHOULD DO YOU SHOULD CONSULT YOUR FINANCIAL OR OTHER ADVISERS.

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Daily Mail and General Trust ple

Notice to Holders of Daily Mail and General Trust plc

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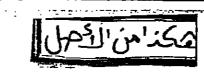
Property (as defined in the inter Leed) is received and applied as reserved to below. Thereafter Bonds will be exchangeable for Reuters Group Shares and not Reuters Holdings Shares. The cash amount received in respect of the Eachinge Property will be applied by the Issuer or a submittany of the Issuer within one month of the Effective Dare in purchasing additional Reuters. within one mount or the Enective Late to purchasing activitional Reuters Croup Shares (net of any expenses incurred by the Issuer or any such subsidiary or the Trustee including expenses in connection with such purchase and expenses and legal costs in connection with the attendment of the Eschange Rights). Additional Reuters Group Shares equal to the number of Reuters Group Shares so purchased shall be added to the Exchange Property. The Issuer may instead transfer Reuters Group Shares from the same hadded to the Exchange Property. from its own holding to form part of the Exchange Property at a value to be approved by the Trustee.

londholders will be informed of their amended Exchange Rights by further notice promptly after the cash amount has been applied as described above.

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ACTION HE WISHES TO TAKE AND MUST RELY ON ADVICE FROM HIS OWN FINANCIAL AND LEGAL ADVISERS AS TO THE CONSEQUENCES OF ANY ACTION HE MAY TAKE.



5th February, 1995



COMPANIES AND FINANCE: THE AMERICAS

Amoco unveil fuels link-up

By Haig Simonian, Motor Industry

General Motors and Amoco yesterday announced they would co-operate on cleaner fuels and engines to meet mounting environmental challenges to the motor and oil industries.

Harry Pearce, GM vicechairman, and Bill Lowrie, president of Amoco, said at the Chicago Auto show that the two companies would work together on developing ss polluting fuels, such as cleaner diesels and reformulated petroleum.

While GM readies its diesel/electric hybrid car for production viability in 2001, Amoco has agreed to pioneer clean-burning diesel fuels," said Mr Pearce.

The deal is expected to focus on diesel because of its high energy efficiency compared with petroleum.

The deal between the world's biggest car company and one of the leading oil groups is an unusual combination. In the past, each industry has tended to blame the other for

While carmakers claim to have pushed combustion future. "We believe purchasengine technology to the ing our shares provides our limit and called on oil shareholders excellent value groups to develop cleaner fuels, the latter have been averse to making big investments in new refineries, saving the chief responsibility for combating pollution lay with motor manufacturers.

Leading carmakers have been recently making efforts to present a more environmental-friendly image. At the Tokyo motor show last October - less than two months before a UN conference on climate change in Kyoto - Japanese carmakers unveiled a range of cleaner

At last month's Detroit motor show. US carmakers took up the baton, with the "Big Three" stressing cleaner products in the pipe-

Although carmakers have worked with the oil industry for years on technical advances, such as developing lower-friction oils to reduce engine wear, oil companies have argued that switching to cleaner sources of energy would entail immense costs in refining | MetroJet in an attempt to and distribution.

GM and Aetna ends year with 5% gain

By John Authers in New York

Actna, the US life and health day that its fourth-quarter mance. earnings had grown 5 per cent compared with the final quarter of 1996, at the end of a tumultuous year for the company.

The group's serious diffi-bought for \$8.9bn in 1996. were partially offset by

CBS, the US broadcasting

company, yesterday accom-

panied it first quarterly

results since its transforma

tion from Westinghouse

Electric last year with plans

to replace its dividend with

It said it would pay a divi-

dend of 5 cents on its com-

mon stock on March 1, but

would suspend future divi-

dends in favour of \$1bn

worth of stock repurchases,

the timing of which has yet

Michael Jordan, chairman

and chief executive, said the

decision reflected the board's

confidence in the company's

without impeding our ability

to take advantage of attrac-

tive growth opportunities,"

Many US companies give a

higher priority to repurchas-

ing their stock than to pay-

ing dividends because, in the

stock repurchases.

to be determined.

he said.

in New York

Continued strong securities markets during the year insurer, announced yester- also bolstered its perfor-

> Several charges made com-However, last year's operating profit of \$594.3m comof \$575.5m from continuing Aetna took a charge of

seen medical costs. This was launched in Brazil during the company had realised, Healthcare. He said: "These buoyed in recent days by early in the year.

slipped behind schedule in signing new contracts with doctors and hospitals. Yesterday it announced

that its health risk business operating profits had parisons with 1996 difficult. declined for both the fourth quarter and the full year, thanks to higher medical pared with operating profits costs. Overall membership of the organisation rose by 11 per cent during the year. Richard Huber, chief exec-

Buy-backs replace dividends at CBS

the year, and by its retire- and the company had initiatives contributed to higher operating costs in our health business; yet we a buyer for its life insurance believe they are prudent steps for us to be taking for the long-term growth of our business

Operating earnings per share of 87 cents were exactly in line with analysts' somewhat reduced expectations, according to a poll by First Call. The market seemed pleased that there ment organisation, which it \$105m against its third-quar-bought for \$8.9bn in 1996, ter earnings to cover unfore-continued to invest in initia-prises, and the company's tives to improve control of shares gained on the news strong performances in its because there was a higher medical costs and claims yesterday, up \$1½ at \$73°s. growth in Brazil, where the international division, which level of unpaid claims than handling at Aetna US. The stock had also been company started operations

pany had started looking for business.

However, its share price remains well below the record of more than \$112 which it set last August before announcing continued problems with cost controls.

Operating earnings for the international division rose to \$35.0m in the fourth quarter. a 29 per cent increase over the equivalent period of 1996 This was driven mostly by

particularly pleased with the dramatic rebound of our

television stations in the sec-

ond half of the year, and

with the record results

reported by our radio group,

which continues to outpace

He said the network con-

tinued to show solid

improvement in all areas.

and the two newly pur-

chased cable networks were

year net losses from continu-

ing operations were \$131m.

against losses of \$221m last

Mr Jordan said CBS

entered the current year

with strong momentum. Its

\$4bn acquisition last month

of the broadcasting rights

for the National Football

League's American Football

Conference would further

strengthen its television sta-

tions and build the net-

work's key younger demo-

cashfiow contribution.

the industry."

AMERICAS NEWS DIGEST

Cendant steps up **ABI** courtship

Cendant, the direct-marketing company formed by last year's merger of HFS and CUC, yesterday stepped up its campaign to buy American Bankers Insurance, of Florida. by promising to its target's board that it would maintain ABI's Miami headquarters and would not dismiss any employees there.

The announcement coincided with Cendant's results for the final quarter, which showed operating profits up 47 per cent and revenues up 28 per cent, compared with the equivalent quarter of 1996 by its predecessor companies. On a pro forma basis, revenues for the year rose 19 per cent to \$5.31bn; net income rose 48 per cent to \$872.2m. All figures exclude merger-related charges of \$1.1bn before John Authers, New York

MERRILL LYNCH

Top international jobs shuffled

Merrill Lynch is moving Joseph Willett, its chief financial officer, to London to become chief operating officer of the US investment bank's Europe, Middle East and Africa region. Mr Willett replaces Michael Marks, who takes the new position of executive chairman for the region. Mr Marks, who joined Merrill in the 1995 acquisition of UK stockbroker Smith New Court, will continue to chair

the region's 10-member executive committee. In New York, Stanley O'Neal replaces Mr Willett as executive vice-president and chief financial officer. Thomas Davis, who had jointly run Merrill's corporate and institutional client group with Mr O'Neal, becomes

With the upgrading of the European chairmanship to reflect Merrill's expansion in the region, Christopher Reeves, the incumbent, becomes deputy chairman of Mer-

already making a strong rill Lynch International and joins the chairman's office at Net losses from continuing the parent company, the first non-US executive to have operations were \$10m, or 1 cent a share, compared with net losses of \$63m, or 18 cents, a year earlier. Full-

Seagram silent on UK merger talk

Seagram, the world's third largest drinks company, yesterday declined to comment on merger speculation that has linked it with Allied Domecq of the UK, the second largest. However, a decline in Asian spirits sales led to a sharp drop in Seagram's net earnings for the quarter to December 31.

The Canadian drinks and entertainment group. reported net income, before a charge, of US\$78m, or 22 cents a share. Including a special US\$60m write-down of assets and severance in Asia, Seagram had post-tax earnings of US\$28m, or 8 cents a share, compared with net income of US\$161m, or US\$0.43 a share.

Edgar Bronfman Jr. chief executive, said Seagram expected to report a shortfall in fiscal 1998 spirits and wine earnings similar in percentage terms to the decline in second quarter results.

Scott Morrison, Toronto

US Airways launches low-cost airline

by their articles of associa- short - rose 77 per cent from the increases, it said.

The Duchess of York at a taping last month of CBS's 'Late Show with David Letterman'

taxes, depreciation and

shareholders are prevented amortisation - Ebitda, for last year had contributed to

the sixth biggest US carrier, launches its response to tough competition from lowcost carriers.

sidiary would start by offering low-fare services to four destinations from Baltimore, Ohio.

fend off competition from

into its east coast territory.

buting cash to shareholders.

uncommon for companies to

cut the dividend altogether

because some institutional

efficient method of distri- tion from holding shares in \$136m to \$241m on a pro-

However, it is relatively dividend.

There will be six daily departures to Cleveland. Ohio; five to Providence, Providing first details of Rhode Island; three to Fort class section and the its plans, US Airways said Lauderdale, Florida; and in-flight snack will consist of yesterday its MetroJet sub- three to Manchester, New soft drinks and a bag of added monthly.

MetroJet will use Boeing US Airways is launching 737-200 aircraft with 118 economy class seats. Initially, the airline will

A new US airline called Delta Air Lines' Delta expected to reach 20 by the MetroJet will start flying on Express subsidiary, which end of the year and can grow June 1 when US Airways, have been making in-roads to 54 under agreements to 54 under agreements reached between US Airways

> and its labour unions. As with other low-cost carriers, there will be no first stock held by Berkshire class section and the Hampshire. More destina- nuts. Seats will only be tions and flights will be assigned at the departure

Steven Wolf, US Airways chairman and chief execu- at \$38.74 a share. tive, unveiled the details for the new airline - until now, it, his investment will be ment,

low-cost carriers such as operate with only five air dubbed US2 - in a meeting worth about \$590m with US Southwest Airlines and craft. But the number is with the Society of Airline Airways' stock at current

forma basis, with revenues

Country Music Television

up 16 per cent

CBS said fourth-quarter The acquisitions of Infinearnings before interest, ity Broadcasting in 1996 and

Analysts in New York. Mr Wolf also announced plans for a financial restructuring of US Airways, including a decision to redeem \$358m in series H preferred Hathaway, the investment group run by Warren

Buffett. Berkshire Hathaway has held the stock since 1989, and has the right to convert into 9.2m US Airways shares

That would represent a profit of about \$232m, in addition to which Berkshire Hathaway has collected about \$240m in dividends.

Airways also announced plans to pay off \$379.2m debt. including \$300m in 10 per cent senior notes and \$79.2m in secured debt obligations.

It said this would bring a \$15m extraordinary charge associated with the premi-If Mr Buffett converts ums paid for debt retire-

Canadian groups fall into red

Inco and Cominco, the Canadian mining companies, both reported vesterday that falling base metals' prices led to fourth-quarter losses. Inco. the world's biggest nickel pro ducer, had a net loss of US\$4m, or 7 cents a share, compared with net earnings of US\$26m, or 10 cents. The company said that lower nickel and copper prices prevented it from generating a profit in spite of a reduction in nickel unit production costs in the quarter.

The Asian crisis did not affect its sales, the company

Cominco, the lead and zinc producer, reported a loss of C\$15m. or 18 cents a share, not including special items or discontinued operations. Including exceptional charges, the net loss reached C\$149m, or C\$1.75 per share, against earnings of C\$14m, or 17 cents a share.

US drugs sector on the boil

SmithKline-Glaxo deal has sparked talk of further consolidation

■akeover speculation has gripped the US pharmaceuticals sector in the wake of the Smith-Kline Beecham/Glaxo Wellcome merger deal. So far this year, the S&P 500 major pharmaceuticals index is up 8.64 per cent, outperforming the S&P composite index by 3½ percentage points.

The forces for consolidation are well known. The cost of developing enough big-selling drugs to replace those that go off-patent means companies are constantly running to stand still, let alone produce the double-digit earnings growth demanded by Wall Street. And despite the latest mega-merger, even the big-

single-digit market share. rush of mega-mergers is for ulcers, expire after 2000, unlikely. "I don't think it has some promising drugs you'll see another three or coming onto the market; four deals this year," says including Propect Steve Lisi of Mehta Partners, pattern baldness. a healthcare research firm.

Consolidation "may take another five years". Several of the biggest US will be from a position of companies have stated their power reluctance to make big and analysts tend to take the somewhat on the periphery view they don't need to

Global prescription drug market shares, 1996

SmithKine Beecham 4.21 3.589
2.690
Abbott 3.53 3.015

gest companies still have Although patents on two big But some analysts say a heart disease and Prilosec including Propecia, for male

Pfizer and Merck "don't

acquisitions. Both Merck tories has said that megaand Pfizer have indicated mergers waste too much they do not want to merge, time and energy. It is itself

the biggest drugs," says Alex products pipeline, although Zisson, pharmaceuticals analyst at Hambrecht & Quist. asthma drugs coming on Merck drugs, Vasotec for on drugs also gives it more

Similarly, Abbott Labora-

of the sector - only a third

BASF Aktiengesellschaft BASF 67056 Ludwigshafen

The Allianz Life insurance-Aktiengesellschaft, Berlin and Munich, have notified us, that their voting right share exceeded the 5% to 10% limits and now amounts

to 10.82%. The voting right share includes, according to § 22, Paragraph 1, No. 2 WpHG (Law on Security Trading), the voting right of 10,45%.

Ludwigshaten, January 2, 1998 BASF Akiengesellschaft The Board of Executive Directors

US drug market: top 10

Glaco Wellcorne 6.17 5.262 American Home Products 5.28 4.507

EH-Lilly 4.72 4.022

2.786

Merck and Pfizer have of its business is drugs. It the strongest pipelines and needs to develop its new line. But its lower reliance leeway to produce top-line growth from other businesses, such as diagnostics. Johnson & Johnson,

another more diversified healthcare company, bas been an active acquirer in really need any help", says areas such as medical Mr Lisi. "If they do a deal it devices and professional products, but not in pharmaceuticals, say analysis.

However, mid-sized Schering-Plough has been widely tipped as a merger candidate. It is "on the borderline between being an acquirer and an acquiree", says Mr Zisson. Recent successes include Claritin, the world's leading antihistamine with

last year.

Warner-Lambert would also be an attractive merger partner, after a good year for cholesterol-lowering Lipitor and diabetes treatment Rezulin - although an acquirer might want to spin off its as Astra and Zeneca, could lower-growth confectionery and consumer health units. Eli Lilly has not made a big acquisition since its disastrous purchase of PCS, a pharmacy benefit man-

ager, which it wrote down

sales up 50 per cent to \$1.7bn

they've soured on acquisitions," says Mr Zisson. After a turnround in the mid-1990s, Lilly has scored some recent successes, such as Zyprexa, which treats manic depression, Evista, its new osteoporosis drug, should help drive this year's profits.

Bristol-Myers Squibb, another successful turnround, may also be a merger candidate. Although it has successfully bought in latestage drugs like anticoagulant Plavex, it has to deal with the patent expiry of Taxol and the revamping of its research effort will take time to bear fruit.

Then there is American Home Products, which was in merger talks with Smith-Kline prior to the announcement of the deal with Glaxo.

ost analysts believe AHP will deal. Even though its medium-term pipeline is looking strong, according to analysts, there will be a time lag before new products build up critical mass.

lt also faces potential multi-billion liabilities following litigation over its anti-obesity drugs, Redux and Pondimin, which were withdrawn from the market last year. Even more important, there is no obvious successor to its current chief, John Stafford, so a deal would "fill the management void", according to analysts.

Because most companies concentrate on a few therapeutic areas, many mergers are feasible without much cannibalisation. Companies with strong pipelines, such be appealing to companies with strong sales forces, like AHP, or good marketing like Schering-Plough. "There are so many pieces to the puzzle," says Mr Zisson.

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U.S. \$418,530,000



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December 1998

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COMPANIES AND FINANCE: UK

Warnings voiced over GUS bid for Argos

By Peggy Hollinger and Clay Harris

Several leading shareholders yesterday raised concerns about the mail order group's hostile \$1.6bn (\$2.67bn) bid for the Garage and the first the Garage and the first the Garage and the first the Garage and the first the Garage and the first the Garage and the first the Garage and the first the Garage and the first the Garage and the first the Garage and the first the firs for the flagging catalogue initially greeted with euphoria by the market which had Argos. been disappointed by a series of profits warnings Smith, Argos's chief execu- use their balance sheet more to Argos. A from Argos in the past year. tive who is undergoing treat- effectively, but we didn't Schroders.

voiced more widely held concerns about a potential man- appointed, he said.

management skills? GUS's retailer, Argos. The bid, management has not yet launched on Tuesday, was proved it can do the trick dates, and could make an with GUS, let alone with appointment during the bid.

The absence of Mike

holder, however, yesterday meant a new and untried way. At least it's better than time Merrill has acted for a league tables compiled by team would have to be

Argos is searching for a

shortlist of about five candi- cash bid. Another investor said: "We've been pushing GUS to burg Dillon Read, is broker

One substantial share- ment for a serious illness, expect them to do it this leaving the cash just sitting FTSE 100 company making a FR Securities Data, in conaround.

GUS is being advised by Merrill Lynch, the US investment bank, which, with Barclays, jointly arranged the £1.6bn credit facility for the

GUS is using Merrill for

financial adviser, SBC Warto Argos. Argos is advised by

hostile bid. It is currently advising Quebecor, the ally in both 1996 and 1997. Canadian commercial printer, on its £188m hostile offer for Watmoughs, the UK

printing company. high priority the US bank the bid because its usual attaches to improving its position in the European mergers and acquisitions market. In each of the past

The offer marks the first 14th in European M&A trast to its third place glob-

The GUS bid is Merrill's third biggest UK M&A deal after its own £3.1bn acquisition last year of MAM. the The bid underlines the fund manager, and its unsuccessful defence of BET against Rentokil's £2.2bn bid

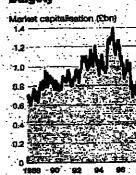
Argos shares fell 5p to market. In each of the past 625p, against the cash offer two years, it has ranked only of 570p. GUS rose 3p to 765p.

Finance

LEX COMMENT

It is a measure of how far Dalgety has fallen that Dalgety plans to sell most of its businesses for a net £1bn give cause for celebration. Less than three years ago the group's market value was £1.4bn. Last night it was 11bn - and that is 50 per cent better than last vear's low. Blame for the value destruction has fallen on the previous management, abetted by mad cow disease which literally killed off part of the animal feed market. By

contrast Ken Hanna, on



board since May, is receiving bouquets for his salvage exercise. He has indeed performed a classic company doctor act. First, the parlous state of the group was ruthlessly exposed. Kitchen sink charges followed and, with expectations reduced to rubble, business disposals have been effected rapidly and at decent prices. The latest £715m sale of the petfoods business was wellabove analysts' forecasts. In a colder light the price simply looks respectable at one times sales particularly since nearly £120m of charges were incurred

to set the business right.

Mr Hanna talks about creating a "premium from within": he has performed the financial task of releasing value as well as any predator could have hoped. Now all he needs is for somebody like Associated British Foods to take the sorry agribusiness division off his hands and the residual pig genetics business can float off into the US

If he realises more than £400m for those two, plaudits will fly again. RIP Dalgety.

No Reuters news is not good news

 $\mathbf{A}_{ ext{ters}}^{ ext{days}}$ days in which Reuremained as silent as the grave as £1.6bn was removed from its value, the financial data and news company finally spoke vesterday. The market grasped at the news

Reuters' statement about a unusual. The question is US legal investigation into whether the New York firm its hiring of a New York- crossed a legal line based consultant to monitor Bloomberg, a close rival, was not wholly reassuring. It indicated Reuters may need to purge products of Bloom-

reassurance was the assertion that Reuters had no knowledge of an attempt to break into Bloomberg computers and steal proprietary computer code. This was first raised in a New York Times story last week.

Instead, the Reuters statetive and less alarming explanation. It may instead have

Yr to Dec 31 150.6 6 mths to Dec 31 2,012

. Yr to Sept 30 ... Yr to Nov 30

RESULTS

tter three trading John Gapper examines the damage caused by which Reu-Holdings the company's handling of the US allegations

> subscribing to them. This sort of arm's length monitoring of a competitor is not whether or not encouraged by Reuters executives - by handing over Bloomberg

The data in question are historic information on thou-However, the key item of sands of US corporate and government bond issues, together with the tools developed by Bloomberg for analysing them. These have been key competitive advantages for the US firm.

It might not be as hard to access bond pricing formulas as it might seem from the ment indicated an alterna- outside. Reuters itself provides subscribers with the formulas used in calculating

77.4 34.8 4.82 3.71♠ 0.1911♠ 3.02 0.385

0.697 6.96 3.85

(2,195) (27.6) (96.7) (1.76) (81.2) (19.5)

31.7 98.1

4.9 88.3 18.8

- 6 mths to Dec 31 142.3 (123.74)

Yr to Nov 30 95.3 (90) Yr to Dec 31 568.6# (463.5#) ... Yr to Nov 3G 95.3

hired the agency to assess bond prices, which would products, this would be the competitive strengths of make it easy for an unscru-Bloomberg's products by pulous competitor to copy.

It would clearly be serious if executives at Reuters Analytics, the subsidiary in Stamford, Connecticut, mis-used a benchmarking study of a rival. But it would be less catastrophic than if Reuters had set out to steal computer code. The other catastrophic

possibility that spooked the market in London was that Reuters would have to withdraw its crucial Reuters 3000 product, which combines news and data with such historic information and analytical tools.

However, the statement provided some reassurance over this, saying that Reuters did not expect to withdraw any products. It said that if it discovered any proprietary information on its

6大 3.3 0.7

removed at once.

Given the comfort drawn by the market from this statement, Reuters' failure to provide earlier clarification appears at least care-less. Why did it allow the panicked trading in its shares seen in London in the past few days?

The damage has been considerable. At the low point of 520p on Tuesday evening. Reuters' shares hit a multiple of about 17 times estimated 1998 earnings - below the market average despite its history as a growth stock.

One reason for Reuters' reticence was advice from Cazenove, its joint broker, not to make statements until the full facts were known. This has lead to considerable frustration, as yesterday's statement acknowledged. Perhaps more important

8.25 14.5人人 8.4 0.95

number of New York Times stories - apparently based on information from federal prosecutors - casting it as a European company forced into spying to catch up with

the Atlantic.

Oct 1997

has been Reuters' wish not to offend US federal investi-

gators and prosecutors. It

was concerned that any pub-

lic lobbying would merely

provoke a reaction across

However, this meant it

a US competitor. The overall impression likely to be left in investors' minds is of Reuters being able to mount only a lumbering response to an aggressive US attack. This has echoes of the way in which it has been technically outflanked by Bloomberg.

This impression, combined with some uncomfortable questions facing two London directors who oversaw Reuters Analytics, has left it in a delicate state. It badly needs yesterday's rise to be the start of a sustained recovery.

director for GEC **Alsthom** By Roger Taylor GEC-Alsthom will announce

today the appointment of Francois Newey as finance director. He will oversee the flotation of the power and transportation group, which is expected to be Europe's biggest public share offer this year.

Pierre Bilger, president and chief executive, said Mr Newey brought "invaluable" experience of international share issues to the company as it prepares to list in London, Paris and New York.

Mr Newey, a Frenchman, joins the company from was unable to respond to a Bull, the computer group. He previously worked as senior vice president and financial officer at Pechiney. the packaging company. He was responsible for Pechiney's flotation in Paris and New York in 1996.

GEC-Alsthom, a joint venture between GEC of the UK and Alsthom Alcatel of France, is expected to be valued at about £4bn (\$6,7bn). GEC and Alcatel announced in December plans to sell 52 per cent of the group, which makes power-generating equipment and trains. They will each continue to hold 24 per cent of the company, and have

agreed not to sell the busi-ness for at least a year. CSFB and Goldman Sachs have been appointed lead discounting of prices, mismanagers to handle the

sbare offer. Mr Newey replaces Patrice Mantz, who stepped down to oversee the finance role at the power transmission and distribution division.

Powerscreen's problems 'known'

By Robert Wright

Powerscreen, the Northern aging director, had left. Irish engineer, at its Matbro machinery subsidiary, were widely known in the industry two months before the company announced a ing engines for its machines, £46.7m (\$78m) write-down he added, and was making last week.

A rival engineering sup- outside its dealer network. plier told its dealers there were problems at the subsid- said last week there was no iary in November, a month reason to suspect Matbro's before Powerscreen went mispricing problems at the ahead with an institutional time of Mr Holmes' deparplacing at 530p a share.

from 552%p to 254p on last last week by Powerscreen week's announcement that that accounting problems at there had been unauthorised Mathro had been address leading recording of bills of exchange and problems with warranty payments at Matbro. They closed down 27/4p

at 227%p yesterday. Jonathan Tapp, UK sales manager for JCB Land- screen's affairs.

power, wrote in a letter to his dealers in November that Problems disclosed by Eddie Holmes, Matbro man-

with JCB Landpower in the specialist tractor market, was having problems obtainmultiple discounted sales

ture. The letter raises ques-Powerscreen's shares fell tions about the claim made "with all speed and the

utmost rigour". Powerscreen said last night it would be inappropriate to comment until KPMG, the auditors, had completed an investigation into Power-

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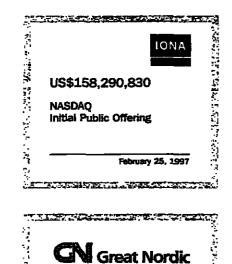
Follow-On

(0.44) (6.7) (2.1)

3.88† 2.27

Earnings shown basic. Dividends shown net except AGross throughout. Figures in breckets are for corresponding period. After exceptional charge, 10n increased capital.

2.27 (2.12) 15.65 (15.55)



DKK759,920,000

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September 23, 1997

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March 27, 1997

Copenhagen Stock

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Exchange/144A

September 24, 1997 DKK382.950.000 Copenhagen Stock Initial Public Offering

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US\$65,700,000 EASDAO/144A Initial Public Offering October 10, 1997

ICOS US\$25,875,000 NASDAQ Initial Public Offering

The state of the s

Granada fights off Burmah exits LNG shareholder protest activities

By Andrew

Burmah Castrol, the oil group, is selling its halfshare in a joint venture to supply liquefied natural gas Gerry Robinson, chairman of to Japan, writes Roger Tay-The disposal to the joint

OSK Lines and Nissho Iwai Corporation, both of Japan, and hotels group. will raise \$70m cash. Burmah Castrol's shares fell 16p

The company is now focused purely on marketing lubricants and speciality.

Granada, yesterday fought off Britain's largest corpo-The disposal to the joint rate governance protest with venture partners. Mitsui a spirited defence of the compensation payments awarded by the television

Almost a third of the vot-ing shareholders registered a protest about the £374,500 (\$625,500) payment for cutting the notice periods Granada's executive directors

would receive in the event of

a takeover The 50 per cent voting turnout was the highest witnessed at a Granada AGM. Of those voting, 19 per cent opposed the re-election of John Ashworth, a member of the remuneration committee which approved the payments, and 12 per cent regis-

Mr Robinson said he had no doubt many companies had paid similar compensation, but had disguised it in higher salaries or payments.

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Dated: 5 February 1998

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COMMODITIES: The Silver Market

FT writers assess the impact of the disclosure that Warren Buffett owns 20% of the world's silver

Risky move by the Sage of Omaha

Investor may find it hard to profit from venture, writes Kenneth Gooding

and best respected investor, but bullion market traders were insisting yesterday that the "Sage of Omaha" was taking a big risk by venturing into the silver market in

By telling the world his Nebraska-based Berkshire Hathaway financial services and investment company had bought nearly 130m ounces of silver, "he is like a battleship, looming large on the horizon and an easy target to be sunk," said one. Analysts estimate Berk-

shire spent about US\$700m. on the silver hoard, which is equivalent to about 16 per cent of the world's silver supply. It is about as much as India, the world's biggest consumer, absorbed last

At cost, Berkshire's silver holding amounts to less than 2 per cent of the value of the But silver market insiders said Berkshire could find it. Berkshire's annual report hard to turn a profit on its

announcement might serve to draw in other speculative players, but the physical will not put up with these prices, or this volatility, for long."

'know

Tights (

Ms O'Connell said demand owned it." it said. in India had dried up completely in recent weeks as Mr Buffett's buying spree sent the silver price above ries have fallen very materi-US\$5 an ounce. Since Berk- ally, because of an excess of shire Hathaway started buy- user-demand over mine pro-

Buffett, has risen by more than 50 might be Amer- per cent to a 9%-year high of about \$7 an ounce.

The market has also been awash with rumours that some manipulation has taken place and that silver was being moved from warehouses in New York, where it is visible because stock figures are regularly reported. to London, where stocks are

Last week a Canadian investor filed a lawsuit in New York accusing Phibro. Travelers financial services group, and other unamed parties, of removing stocks to push prices higher. Phibro Berkshire is a big share

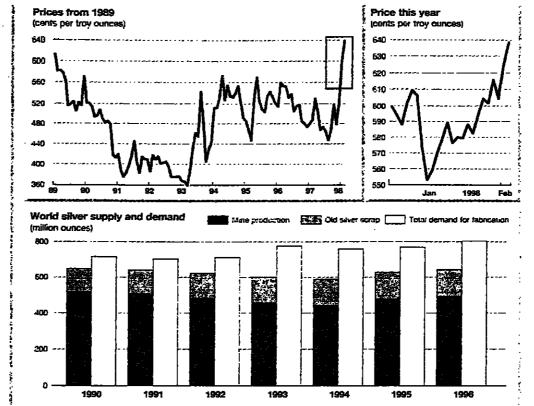
holder in Travelers, and Phibro said yesterday it did act as Berkshire's broker in the silver deals. Analysts suggested the furore caused by the manipulation allegations caused Mr Buffett to reveal his hand early. Normally, he would have disclosed the silver deals in next month.

Berkshire's announcement Rhona O'Connell, analyst makes clear that Mr Buffett at specialist stockbroker is no stranger to the silver T. Hoare, pointed out: "His business. "Over 30 years ago [he] made his first purchase of silver in anticipation of the metal's demonetisation demand side of the market by the US government. Since that time he has followed silver's fundamentals but no entity he manages has

"In recent years, widely published reports have shown that bullion inventoing on July 25, silver's price duction and reclamation.



egendary status for his willingness to make large and often long-term equity investment minority stakes in Gillette, Coca-Cola and Wells Fargo. It recently swapped a stake in Salomon, the investment banking group, for shares in Travelers, the financial service group which owns Phibro, when the two companies merced. Berkshire's stated nei worth at the end of 1996 was about \$23,4bn.



Therefore, last summer Mr Mineral Services consul-Buffett and Charlie Munger, vice-chairman of Berkshire, concluded that equilibrium between supply and demand was only likely to be established by a somewhat higher price." Berkshire, was not acting with any other organisation, it added, and it "has no present plans for purchase or sale of silver". Mr Buffett is not the only

one to have been attracted by the idea that silver consumption has been so far ahead of supply for so long that stocks available at prices below \$5 might be

Stewart Murray, managing paid an average of \$5 an director of the Gold Fields ounce for its silver and

annual silver market review, estimates that, since 1990, the "gap" between supply and demand totals 24,800

identifiable stocks of silver had fallen by 17,000 tonnes. But nobody could make a sensible guess about how much silver is left in stocks and ready to come to market if prices go higher.

And at what price would Mr Buffett be coaxed to sell? Andy Smith, analyst at Union Bank of Switzerland, suggests Berkshire probably

"to make a meaningful dif- and 1995, the annual growth problem was a rapid tancy which produces an ference to Berkshire's bottom line, the value of his stake might have to increase, say, 50 per cent, that is \$7.50."

Some analysts were reluc-In that time, however, tant to take Mr Buffett's explanation at face value. Was he, for example, trying to hedge against inflation? More probably, Berkshire,

with its estimated net worth of \$23.4bn at the end of 1996. is looking to expand its horizons. Mr Buffett himself has admitted that sustaining Berkshire's performance through its more familiar equity-based investment strategy has become increasing difficult. Between 1965

rate in terms of investments But the Berkshire chairman warned in a letter to shareholders last year: "Our past rates of growth cannot be matched or even

approached. Berkshire's equity capital is now large . . . and an abundance of funds tends to damp

> Mr Buffett's doubts were picked up by Wall Street in the latter half of 1998, when analysts noticed that a number of its big investments in consumer-based stocks such as Coca-Cola, Walt Disney, McDonald's and Gillette

increase in the prices of such stocks during the mid-1990s, as investors realised the benefit of increasingly open global markets - leaving them on heady valuations. Whether such consider-

ations alone would tempt Mr Buffett into the silver market instead was an unanswered question yesterday. "Mr Buffett doesn't share his Gerstein, analyst at Value

With judgment suspended, Berkshire shares, which climbed \$7.00 to \$526 on Tuesday, showed no change. Additional reporting by - were flagging. Part of the Nikki Tait in Chicago.

PHIBRO LAWSUIT - By Nikk Tail

Lawyer says action not withdrawn Brothers who

Manhattan-based attorney, who filed a potential class action lawsuit on behalf of a Canadian investor alleging price manipulation in the silthe suit had not been withdrawn in the light of the statement by Berkshire Hathaway. Warren Buffett's investment company - nor That silver, the suit alleged, were there any immediate was shipped to London, plans to do so. "We are still investigating," he said.

The revelations made it less likely that silver was being bought for commercial purposes or by fabricators", he added, but declined to say whether, how or when the suit might be amended, if it 18 months.

ity trading arm of the Travket that is part of the New where it was not subject to

the same disclosure. Phibro denied the allega-

elers insurance group, and buying up silver from ware-New York, the futures mar-York Mercantile Exchange. That silver, the suit alleged,

tions at the time, and said it had neither removed silver from Comex warehouses nor shipped it to England - or elsewhere - within the past

However, Phibro did

accuse Phibro, the commod- had been the brokerage own, or anyone else's behalf. house acting for Berkshire. other unnamed parties of holds a minority stake in allegations - including an Travelers - made clear that ver market, said yesterday houses registered with the all the physical silver it acted in concert with any Commodity Exchange of bought had required delivery other party in the silver in London.

The suit also alleged the defendants took positions on futures and options, ation, Phibro said. designed to influence silver futures trading "purposely to take advantage of the sen-Comex silver stocks".

Phibro yesterday declined to make any further com-

PREPARING FOR EMU

THE BUSINESS PERSPECTIVE

Hosted by Quentin Peel. Foreign Editor, the FT is holding a Breakfast Seminar to examine

how EMU is likely to impact on business and how European Companies are preparing.

The seminar is to be held in

Edinburgh on Thursday March 12

In association with

Limited places are available at a cost of £50.

If you would like to attend please contact Julie Arnold on

tel: 44 (0)171 873 4816 fax: 44 (0)171 873 3595 email: julie.arnold@FT.com

FINANCIAL TIMES

confirm yesterday that it trades it might have on its It merely repeated its broad, And Berkshire - which and strenuous, denials of the assertion that it had never market.

The possibility of a counter-suit, mooted last week. the Comex market, both in was still under consider-Berkshire, for its part, said had never held silver

co-ordinating their activities options, and had always been unaware of the actions sitivity of silver prices to of positions of other market participants.

Meanwhile, Nymex, which insisted last week that it saw ment on this segment of the absolutely no basis for allesuit, or elaborate on what gations of manipulation, said

holdings - while they could have an ongoing bearing on Comex trading - would not be a matter which the exchange could even expect to regulate; its jurisdiction is limited to firms or individuals participating in the

Comex market itself. The Commodity Futures Trading Commission, which regulates the US futures industry generally, also maintained an official silence over the Berkshire

statement. However, it did confirm that its heightened surveillance of the silver market, announced earlier this month, remained in effect.

tried to corner the market

BUNKER HUNT- By Gary Mead

Silver last grabbed big headlines almost two decades ago, when the price leapt from \$6 in August 1979 to more than \$50 a troy ounce by January 1980.

There were fears for the stability of the US banking system and Paul Volcker, then chairman of the Federal Reserve, had to step in

to calm nerves. The crisis was sparked by Nelson Bunker Hunt, a portly Texas oil billionaire then one of the world's

wealthiest individuals. Together with some Arab partners, Bunker Hunt and his brother William Herbert Hunt mounted an audacious attempt to corner the world's silver market, amassing almost 200m ounces - then about half the world's deliverable silver.

Haroldson Lafayette Hunt, a professional poker player known as Arkansas Slim who later established Hunt Oil, the largest independent producer of oil and natural gas in the US. Bunker Hunt knows how much he is worth ain't worth nothing."

The Hunt brothers bad always been keen commodity speculators, having built up large positions in soyabeans in the mid-1970s, pushing the price to dizzy out when it came to silver. By early 1980, silver's price began to slide as first the New York Commodity Exchange halted trading. and the hugely inflated price began to flush out massive

stocks. The Hunt brothers were unable to meet their margin calls - the sum required by their brokers, generally 10 per cent of the total trade, to be put up as a

deposit. They had to be bailed out by their bankers, with initial losses in excess of \$1bn. Suddenly it became very important for Nelson Bunker Hunt to know precisely how much he was worth. Their silver losses left large debts, and they compounded the problem by later, equally poor,

After a protracted legal wrangle a US federal jury says Stewart Murray, man-concluded in August 1988 aging director of the Gold conspired to manipulate the silver price. Borne down by litigation and back-tax claims, the brothers filed for bankruptcy in September

In 1989. Bunker Hunt reached a settlement with the Commodity Futures far from complete, the indi-Trading Commission accepting a lifetime ban from trading in commodities futures

Bangles skew supply and demand

By Kenneth Gooding. Mining Corresponden

personality. It is part pre-cious metal, part industrial material. This makes for a which the basics of supply and demand do not always have the impact on prices that would apply for metals such as copper and aluminium that are produced to be used, not hoarded.

Indian farmers stock up with silver bangles when they have the money from a good harvest. On the other hand, in industrial countries silver is an essential material for, among other things, some computer keyboard components and electrical contacts, as well as for

Most industrial demand for silver is not significantly affected by variations in the price. The metal has a number of unique properties, including strength, malleability and ductility, electrical and thermal conductivity, sensitivity to and high reflectance of light and the ability to endure extreme temperature ranges. All these restrict its substitution in most applications.

demand for silver comes thoughts," remarked Marc from photographic film and paper manufacturers, onethird from producers of jewellery and silverware, and the rest from a broad range of industrial applications, including electrical, electronics, batteries, solders, catalysts, mirrors, water purification and bearings.

Much of the jewellery and silverware produced is used for investment purposes. mainly in India. Heavyweight silver jewellery is by farmers in India's northern tribal belt.

They buy when monsoons give good harvests and sell in lean years. Several good harvests in a row have helped to boost India's annual silver off-take to about 4,000 tonnes, about 16 per cent of global demand.

This part of the silver market is very price-sensitive. Traders suggest Indians virtually stopped buying silver recently when the price went above US\$5 an ounce, believing that was too expensive.

Makan Lal Damani, president of the Bombay Bullion Association, said yesterday that if the price stayed near \$7 an ounce. Indian demand was likely to fall by half to 2,000 tonnes this year.

One question that must be taxing Warren Buffett and other silver bulls is: what price is needed to persuade Indian hoarders to sell?

"Anywhere from \$7.50 an ounce to \$10 will see them starting to offer it," said one Dubai precious metals trader yesterday.

India certainly holds the key to silver market trends, Fields Mineral Services consultancy, which produces the annual silver market review for the Washington based Silver Institute. But there are many other factors, apart from price, that influence investors there.

Although the statistics are cations so far are that demand for silver last year continued its steady rise, as

you have virtually no chance of making it into the top ranks of any company unless you

Continued....

Corporate climbing lessons.

MASTERING GLOBAL BUSINESS: a special 10 part series will appear exclusively in the FT every Friday until April 3. Pick up a copy at the newsstand or call +49 69 15 68 50.

FINANCIAL TIMES No FT, no comment.

INTERNATIONAL CAPITAL MARKETS

Concern over Iraq hits Europe

GOVERNMENT BONDS By Simon Davies in London and John Labate in New York

Russian President Boris Yeltsin's warnings on Iraq. combined with a big bund auction in Germany. knocked confidence in European government bond markets vesterday, but US Treasuries fared better ahead of the widely expected decision

to hold interest rates. Nonetheless. Sonja Gibbs. senior market strategist at Nomura International, said: "I would expect a bounce back in European markets tomorrow given the magnitude of the drop today - around." There have been unless there is a sharp rumours that today's unemrecovery in Asian equities."

Mr Yeltsin's comments. warning that US action in as the Bundesbank was in fidence in financial markets. at 117.16, and the spread

went well, with DM7.4bn of the bunds taken up. and bids 86,000 contracts. of DM14.3bn. However, the yield curve steepened, as longer-dated issues were hit

by the new supply. The March bund contract in London fell by 0.52 at its worst, recovering to settle at 106.26, down 0.34 on the day. Turnover was active, with over 216,000 contracts traded in London, and 310,000 in Frankfurt.

Ms Gibbs argued: "There's a perception creeping into the German market, misguided in my view, that the economy is going to turn ployment data will reveal a

sharp fall. UK GILTS also suffered

circumstances, the auction its lows. Trading was brisk. with turnover of more than

> There was some nervousness ahead of today's pronouncement on interest rates from the Bank of England's monetary policy committee. Short sterling futures have failen by seven basis points this week, reflecting concern that there might be another rise. The adjusted yield spread against bunds widened by one basis point to 112.

> Andrew Roberts, gilts analyst at UBS Securities, said: "This is the 'last chance saloon' for the bawks in the MPC. It was foolish of the market to ignore the possibility of a rate rise."

ITALIAN BTPs traded in line with other European Iraq could spark a global from concern that the grow- markets, with the March conflict, were reported just ing Iraqi crisis could hit con- contract settling 0.29 lower

New international bond issues

Final terms, non-callable unless stated. Yield spread (over relevant govern #Unisted. ‡ Roaning-rate note. #Semi-arrival coupon. R: fixed re-offer p +12%bp. b) Callable on 2/1/03 at par. b) [3-mit] Liber fixet to Jan 03, then Emu. ii Over interpolated yield. (i) Long 1st coupon. s) Short 1st coupon.

Carl Azeglio Ciampi, Treasury minister arrives in Bonn today on a two-day trip to ease German concern over

Italian membership of European monetary union. The markets have remained relatively sanguine in the face of German criticism of Italian entry, but sentiment will be affected by the sound-bites emerging from Germany.

US TREASURIES were mixed as the Federal Open Market Committee concluded its two-day meeting to set interest rate policy. announced new auctions The consensus opinion on the meeting was that there would be no interest rate change, although opinions were decidedly mixed as to what the Fed would do later

in the year. In morning trading, investors favoured shorter-term Patrick Dimick, Treasury issues over longer ones. The market analyst at UBS Secubenchmark 30-year bond had rities in New York.

the midst of a 10-year GER. The March contract settled against bunds narrowing fallen & to 103 by early MAN BUND auction. In the 1/2 lower at 122 kg, some & off one basis point to 39 points. afternoon, sending the yield up to 5.881 per cent. The 10-year note also fell, by & to 1044, yielding 5.565 per cent. but the two-year note gained å to 100%, yielding 5.308 per cent. The Federal Funds rate

> was 5.37 per cent. In overnight trading the yield curve had steepened, reflecting investors' preference for short-term issues. The yield spread between the two-year note and the 30-year bond was 57 basis

> The Treasury Department next week. It will sell \$13bn in three-year notes, \$12bn in 10-year notes, and \$10bn in 30-year bonds.

"Investors spent the better part of today jockeying for position around the refunding announcements," said

Squeeze on 2008 UK gilt continues

By Vincent Boland

"squeeze" on one of the UK government bonds to be delivered against the March gilt future, the main hedging instrument for the gilt market, continued yesterday despite a meeting between the Bank of England and gilt-edged market makers to

iron out the problem.

GEMMs are understood to have asked the Bank to consider intervening if the availability of the stock -the 9 per cent Treasury bond of 2008 - continued to be hampered by the reluctance of investors holding it to make it available for "repo" transactions.

The Bank is understood to have given no indication at the meeting of whether it would make more of the stock available or otherwise act to end the squeeze. which has meant trading in the March gilt future is not representative of trading in the cash gilt market.

Some gilt market participants said this meant there was a "disorderly" market and noted that the Bank reserved the right to intervene in that event.

The Bank declined to comment. But gilt market participants said it may be reluctant to do anything yet because not all GEMMs gree on the seriousness of the problem.

One observer said about 75 per cent of GEMMs would like the Bank to take action but "it only feels it has a mandate to do so if there is

unanimity."
The London International Financial Futures and Options Exchange, where the March future is traded, said it was in discussions with the Bank on the issue but declined to give details. said. "We are hoping to cent market share.

DTB, Soffex raise doubts on Matif link

in Frankfurt

Deutsche Terminbörse and Soffex, the German and Swiss derivatives exchanges, merge this year.

However, they raised doubts over a planned strategic link with the French market Matif, which would have created Europe's largest derivatives market. .The merger of the two

derivatives exchanges, currently run by their respective stock exchanges, will result in the creation of a single entity called Eurex. "Eurex will come on time, in autumn this year, before the introduction of the euro the planned single cur-

rencyl," said Jörg Franke.

chief executive of Eurex. The move follows the recent merger of OM Grup pen, the Swedish derivatives exchange operator and the Stockholm Stock Exchange, which has been seen as a precursor to a broader consolidation among Nordic hourses.

The German-Swiss merger announced in September, is part of the exchanges' preparations for European economic and monetary union. which is threatening to shrink the derivatives market by reducing currency

and interest rate risks. Mr Franke, however. raised doubts over a planned link between Eurex and Matif, the French futures and options exchange.

"We were hoping to complete our discussions with the French exchanges by the end of last year, but we did not achieve this goal." he

reach some sort of agree ment in coming days."

Without the agreement with Matif, Eurex will fail to challenge the dominance of the London International yesterday said they would Financial Futures and merge this year. Options Exchange, Europe's largest derivatives exchange. The combined volumes

traded on DTB and Soffex last year amounted to 144m contracts, compared with 205m on Liffe. The recently merged French markets, Matif and Moneo, traded 81m lots between them.

The main aim of the link-up would have been to offer French, German and Swiss derivatives on a single electronic trading platform. and combine clearing and settlement procedures.

However, Matif, which relies on open-outcry trading - where traders face each other on a large floor - is facing strong opposition to the introduction of a new electronic trading system. called NSC-VF. Its locals, traders who speculate on the floor with their own money. have been on strike since

Monday. Separately, DTB yesterday predicted it would soon dominate trading in Europe's most liquid derivatives contract - the future on 10-year German bunds.

"By December 1998, our market share in bunds will be closer to 80 per cent than 70 per cent," said Andreas Preuss, head of business development

Liffe and OTB offer similar bund futures. In January, DTB traded more bund contracts than Liffe for the first time ever. Only a year earlier, Liffe controlled a 70 per

Ford arm issues global FRNs

INTERNATIONAL BONDS By Edward Luce

Ford Motor Credit, the funding arm of the US motor vehicle manufacturer, vesterday provided some relief from the recent spate of triple A paper with its first for investors," he said. global floating-rate note

said the market was gradu-

lower-rated paper and FRNs. The relative calm in Asia and the recent rally in Treasuries and other "flight to uted to renewed confidence in the market. "It looks like we're moving from the fear phase into the greed phase,"

An official at Lehman Brothers, which led the single A rated issue, expressed confidence the "fear phase" was over. "Investors are looking to go down the credit curve, which is why Ford chose an FRN because it provides a pure credit play

The bond, which was reissue. Traders in London offered at a margin of 18 basis points over Libor, was ally building an appetite for distributed almost evenly between the US and Europe

with some buying elsewhere. The official added that the offering was priced relasafety" outlets had contrib- tively flat to other single A issuers such as General Motors Acceptance Corp. which is trading at a margin of 17 basis points over Libor on its five-year FRN.

E US DOLLARS Ford Motor Credit Cot Telecom NZ France* Telecom NZ France* ABN Ampo Leasing Braz 99.76R Feb 2003 0.20R 99.225R Feb 2006 0.65R 99.944R Feb 2003 0.6125R 89.95R Feb 1999 0.50R Lehman Brothers Inti TALIAN LIRE Credit Cards Two: 100.00R Aug 2005 0.15R ■ GUILDERS EUROS **BES Financet FRAND** M NEW ZEALAND DOLLARS SuedwestLE Capital Markets 100 8.00(s) 100.96 Sep 1999 1.00

ARGENTINA continued its impressive 1998 funding performance with the first dollar-denominated and the first 30-year emerging market offering this year. The of Argentina's curve was \$500m issue, an add-on to last September's \$2.25bn

points over Argentina's dolover Treasuries. J.P. Morgan, sole lead slightly inverted, with its 20year trading outside its 30-

Elsewhere. lar curve at 409 basis points ESPIRITO SANTO, Portugal's third largest bank, issued an inaugural bond manager, said the long-end under its \$1bn MTN programme in a E250m offering. The bond, priced to yield 10 basis points over Libor at reoffer, was the second euro-'RN offering to date.

+40bp. c) 3-mth Libor +10bp. Pays in Ecu prior to

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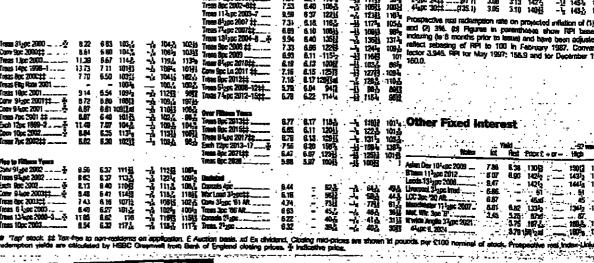
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China	07/96	7.750	PB9•	103 5338	7 31	-0.03	+0.04	+1.60
Philopnes	10/16	8 750	68 +	93 4000	951	-0.02	-029	+3 &
Thadand	04:67	7.750	866-	93.650C	10.57	-0 54	-0 03	+5 04
# AFRICA	MIDDL	E EAST						
Lebanan	07/09	9.125	BĞ-	102 9241	7.74	-001	-0.25	+2 40
South Africa	16/06	2 375	98∙	98,9500	a54	-6.07	-0.63	+3 09
Turkey	U 9:07	10 000	6	101 0000	9.82	-0.06	+0.18	+4.3
BRADY	BONDS	1						
Argentina	03/23	5.503	29	75,1300	8 35	-0 03	-0.07	+25
Brazil	C=/14	4,500	86-	73 5000	10 00	-0.92	+0.06	+4 3
Mouleo	12/19	6.050	PB	2.5 50000	7 79	0.02	2 22	

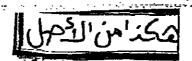
		nge off yield 10					sued in 1998.
BOND	FUTU	RES A	ND OF	TIONS	;		
Franc	-						
■ NOTK		NCH BONE					
Маг	Open 103.00	Sett price 102.54	-0.46	High 103.04	Low 102,50	97.143	127,934
Jun	102.34	102.12	-0.20	102.36	102.35	2,500	8,474
Sep BLONG	102.10	101.66 ENCH BOI	=0.02	102.10	102.10	2	-
Strike		CAL				PUTS -	
Price	Ja			Mar	Jan	Feb	Mar
97	5.6			1.95 1.04	-	0.01	0.07
96 99	4 6 3 6			1.04 1.18	-	0.02 0.03	0.14 0.28
100	2.6	2 26	8 2	.41		0.07	0.49
101 Estad 101	7.5 31. Cade 957	13 1.7 7 Purs 1960			0.01 n., Cops 67.1	017 20 Puts 1	0.82 99.329
Germa	_	MAN BUN			* DM250.0		of 100%
Mar	106 60	106.26	-0.34	105.63	106.08	216734	251284
Jun	105 98	105.68	-0.33	105 98	105.59	856	9390
BUND	FUTURES	OPTIONS	(UFFE, D	M250,000	ponts of	100%	
Strike		CAL				PUTS	
Price 10600	Mar 0.57		-	Len Ma 9≄ 03		May 1.11	Jun 1.26
10650	0.31	0.38 0	.58 0	73 0.5	5 1.20	1.40	1.55
10700	0.14	0.24 0 223 Para 36		55 08			1.87
(DTB) D	M250,000 Open	MAN BUN 100ths of Sett price	Crange	High	Low		Open int.
Mar Jul	105.33 104.37	105 15 104 89	-0,19 -0,19	105.34 104.97	105.10 104 80	128.966 5.359	233,095 8,121
-							-1
NOTIC	NAL GER	MAN BOBI	. FUTURE	S (LIFFE)	DM250,00	0 100ths	of 100%
	Oper:		-	High	Low	Est. val	Open int
Mar Jun	105.31 104.67	105 17 164 82	-0.12 -0.11	105.31 104.87	105.11 104.67	877 210	21,012 220
p-48 1	10.01	10-10-2	~11	·	10-1.07	e IU	CEU
	. Pag 500:	IAN GOVT	f 100°;			5	On our 100
Mar	Open 117-41	Sett price	-0.29	High 117 47	Low 116.93	57327	Open int. 121080
Jun	116.82	:6.67	-0.31	116.62	116 45	1113	22868
ITALIAN	COVT. SO	ND (817) PJ	TURES OF	TIONS (LIFF	E) Lina200m	100ths of 1	100%
Smire Price		CAL	2un		Mar	PUTS -	Jun
11700		54	1 10		0.38		,43
11750	6	29	0 86		0.63	1	169
11800 ≅a.vol.ta		.13 H Pas 1921	68 0 ಎರ್.ಕಾ ^ದ ೆ		0.97 Int. Calls 7		1. 99 83090
Spain	NAL SPAI	Sen price	FUTURE	S (MEFF)			Open int.
Мæ	107.79	107.53	~0.26	107 83	107.33	97,184	110,689
UK B NOTIO	NAL UK G	HLT FUTUR	RES (LIFF)	E)* £50,000	32nds, of	160%	
	Open	Sett price			Low	Est. vol	Open int.
Mar	123-05	122-27		123-06		86662	185525
Jun	105-2€	196-24	-9-14	106-31	106-15	2842	10604

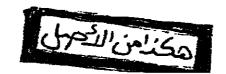
	Ocen	Sett price	Change	High	Low	Est vol	Open int.
Маг	123-05	122-27	-0-12	123-06	122-18	86682	185525
lun	105-26	106-24	-9-14	106-31	106-15	2842	10604
LONG	GILT FUT	URES OPT	TONS :LIF	FE) £50.00	0 54ths of	100%	
inke			ـــ عب			PUTS -	
nce	Mar	-	-	un Ma	_	May	
122 123	1-11	5		0-21			
123 124	0-36 0-14	9	-	3 0-46 3 1-24			
	na. Carb 36						
áar	Open 102.30	Set once 101 85	Change ~0.44	High 182 30	101 80	Est. vol. 1.749	Open Int. 5,941
US							
US TI	REASURY E	OND FUT	URES ICE	T) \$100 00	0 32nas o	f 100%	
	Open	Latest	Cusuda	High	Low	Esz vol	Open int.
/lar	121-25	121-15	-0-06	121-27	721-11	334,046	642,703
lun	121-08	121-67		121-08	120-27		73,621
Sep	120-24	120-27	-0-06	120-27	120-23	5,140	20.968
Japar	,						
	Y100m 1			GOVT. B	ᅘ	URES	
	Среп	Ciçşe	Change	Hugh	Ļ¢w	Est. vol	Open int.
Mar Jun	128.94 128.30			129 02 128 34	128.84 128.21	2602 887	n:a

is corp	ORAT	E B	DNDS						INTERNAT	TONAL	. Bọi	NDS				-	
				•		Day's	Mth's			Red		SAP	Bet	Bio	Day's choe	Mith's chae	Spread
eb 3	Red	Coupn	S&P Paties	Bid orice	Bid	chge	chge	··v Govts	Feb 4		Coupon	Rating	· buce.	yka	yld	yld	Govts
· · · · · ·		-	rawing	×	yugu			٠ مر	E BURO DM	12000	17.	1.5.		٠.٠٠		1	
	٠	- 1	/ v · ·	7 - 5					EB	02/07	5.750	F	104.3200	5.14	+0.06	-0.08	+0.1
BC Bell	07/02	7.25		105.1125	5.91	0.02	-0.18		. Span	·· 01/07	5.750		103.8700	5.19	+0.04	-0.14	-0.1
Y Tei WE	08/25 05/08	7.00 8.00		100,0178 110,4397	6.99 6.58	-0.01 -0.02	-0.01 -0.06	+1.13 +1.03	Philip Monts	03/04	5.375	Ä	100,8000	5.22	+0.04	-0.14	+0.5
	, 	0.00		1074391	11,-12		-0.00	71303	Finland FRN	09/02	3.820	ÄÄ	100.67B8	4.01	+0.03	-0.22	-0.2
Financial	s.		:						. B EURO FFR						•	٠.	٠.
ECC	05/07	8.75		118.5244	6.10	-0.03	-0,12		Austria	D1/04	5.500	AAA	103,4700	4.61	+0.02	-0.13	+0.1
anc One	08/02	7.25	_A+	104.8046	6.01	-0.02	-0.13		Abbey Nat	02/04	6.000		105.4800	493	+0.04	-0.13	+0.2
S West	01/07	7.30	BBS+	105.0131	6.54	-0.05	-0.11	40.99	Cred Fonder	02/04	9:125	· A	119,7000	5.23	+0.03	-0.13	+0.5
INDUSTRU	LS.					300	132	33. V	3CEF FRN	12/01	3.750	AA~	99.8267	4.20	+0.04	-0.20	+0.0
MX Tech	04/99	6.25	A-	100.1390	8.11	-0.02	-0.19	+6.11	E BROLINA								٠.
al Mart	05/02	8.75	AA	103.4969	5.81	-0.01	-0.23	+0.38	88	02/07	7.000	AAA	110.6500	5.47	+0.04	· ·	+0.1
ayton Hud	06/21	9.70	88B+	131.8194	6.92	-0.01	-0.03	+1.06	Abbey Nat	02/02	6.800		105.9400	5.13	+0.04	-0.05	+0
AGENCIES	-				" : <i>"</i> }			N	Walt Disney	. 06/00	6.625		107.4100	5.19	-0.08	· · -	+0.4
HLMC	04/07	7.14	N/A	108.8943	5.87	-0.02	-0.10		BB FRN	03/01	5.825	. AAA	100.1166	4.72	+0.03	+0.03	-0.1
IMC LMA	03/00	7.14	N/A	103,8846	5.50	-0.02	-0.10	+0.32 +0.16	2 ORUE 1	¥.20		ಿ ಇನ್		٠	: .		4
AMA	02/18	8.95	NVA	131.8240	6.17	-0.01	-0.08	+0.31	B8 .	12/07	7.625	AAA	108,7746	6.39	+0.04	-0.03	+0.2
FCB	06/06	8.95	N/A	120.2133	5,84		-0.13	+0.29	Drescher Bk	12/07	7.750	AA-	105.8157	6.91	+0.04	-0.05	+0.7
HIGH YIEL				. :		1.35	in the second		British Gas .	03/06	7.625	A+	101:0384	7.07	+0.03	-0.09	+0.4
	••						• • • •		Aboey Net FTIN	02/02	7.830	, AA	93.9509	6.27	+0.04	-0.08	-0.1
ione Cont K Sti	02/07 12/01	9.88 9.13	8 BB-	102.0000 108.5000	0.00	_	•	-	E EURO \$		y	٠					٠,
calta	06/04	10.75	8-	99,0000	0.00	·	. =	Ξ	BB .	04/07	7.250	AAA	109.3100	5.91	+0.01	-0.04	+0.4
		10.70						_ -	ABN Amro	06/07	7.125		105.5386	6.33	-0.01	+0.03	-0.8
er York clasing. andard & Poor's	- miles	·			ce: Interi	ctive Dal	a/FT info	ermation.	Quebec	01/07	7.000		104.7500	6.30	+0.01		+0.7
	I IN AZ	110005-00	p1 8-00 8-000	O13-5.			٠.		Citicoro FRN	02/04	5.938	A+	99.5323	6.03	+0.03	+0.13	+0.6
									E EURO CS		\$ ·		A				
									Sayer L-Bk	08/04	9.500		119,9457	- 5.73	-0.01	-0.17	+0.2
S INTER	EST !	RATE	S						Toronto ·	05/04	8.500		114.5519	5.66	+0.02	-0.14	+0.1
				T PRI					Bell Canada Deutsche B FRN	07/98 09/02	10.625 5.875		108,7418	8.55		-0,15	+0.9
test				Treasury Bill					A			AAA	101.5003	5.50	-0.04	+0.07	+0 0
me rate	61		190mils			\$ 165		. 5.32 _ 5.33	E FURO YEAL	V. V.	Carlo No. 1	- v. v					
oker kaan nada	74	4 Three	POOR	51	8 Ave	793r		_ 5.41	World Bank	03/05	5.250		115.8000	1.29	-0.02	+0.21	+0.1
l.Aunds	5,		MIN	52				5.57 5.89	Spain:	. 03/02	5.750		117.8000	1.29	-0.02	+0.18	+0.1
Charis at interve			762r	52	22 30-1	04		5.69	Cred Foncier Rasy FRIN	08/02 07/99	4.750 0.797		122,6784 100,3804	1.79 0.46	-0.01	+0.18	+0.6
										. Orrae	0.787	AA	100.3004	0.46	+0.04	+0.12	-00
									London closing				Sour	ce: hre-	ractive D	sta/FT In	horant-
									Standard & Poor's	ratings. Yie	Hober Loca	i market	standard/Ar	nualise	base.	76	

K GBts Feb 4 change % Feb 3 interest yad Feb 3 Yr, ago Feb 4 Feb 3 Feb 4 Feb 3 F	TSE Actua							·						U	K Inc	
Up to 5 years (10) 120.50	ince Indices IK Gäts							Low (Feb 3	yield · Yr, ago	Medium Fab 4	reb 3	u yield Yr. ago	~ High Feb 4		
5-15 years (2) 160.52				120.57	245	88.0	. 5 укз	6.25	6.21 ·	6.98				_		
Diver 15 years 15 196.87 -0.31 197.49 3.02 0.00 20 yrs 6.10 6.00 7.52 8.11 6.08 7.50 6.22 6.18 7.27										7.44	6.12	6.09	7.43	6.22	6.19	
Interest 10 242.24							20 yrs		8.06	7.52	8,71	5.08	7.50			
Up to 5 years [2] 215.03							irred.†	6.22	6.20	7.59						
Sept	Alt stocks (48)	153.41	-0.20	153.71	2.50	0.84	•	٠.		•						
Up to 5 years [2] 215.03 -0.03 215.10 2.14 0.00 Up to 5 yrs 2.90 2.88 3.08 2.16 2.14 2.40 Over 5 years [10] 215.75 -0.19 277.16 1.32 1.14 Over 5 yrs 3.07 3.05 3.50 2.87 2.85 3.30 All stocks [12] 215.47 -0.17 215.84 1.39 1.02 arrage gross redemption yields are shown above. Coupon Bende: Lover 076-774%; Mediant: 894-10749; High: 1176 and over 1 Flat yield, yid Year to date. T Fixed Interest Indices Feb. 4 Feb. 3 Feb. 2 Jan 30 Jan 29 Yr ago -High: Low Feb. 4 Feb. 3 Feb. 2 Jan 30 Jan 29 Yr ago High: Low Feb. 4 Feb. 3 Feb. 2 Jan 30 Jan 29 Yr ago High: Low Fest Securities High since disreplication: 127-00 Debt 1/35, low 83-18 E00/01/73, Feat Interest Indices Fixed Interest 1030.8 As gipts preserved. To 1997.99. Government Securities High since disreplication: 127-00 Debt 1/35, low 83-18 E00/01/73, Feat Interest Indices is Red Mice! +or - Nigh Low Night Low	đex-linked										, .				_	
Over 5 years (10) 216.76 -0.19 217.16 1.32 1.14 Over 5 yrs 3.07 3.05 3.50 2.67 2.65 3.30 All stocks (12) 215.47 -0.17 215.64 1.39 1.02 1.09 1.09 1.00 2.00 2.67 2.65 3.30 First of First orders are shown above. Coupon Bendix Land (9%-7%-%; Median: 6%-10%-%; High: 11% and over. † Flat yield, yid Year to date. First of First orders in Clices Figt 4 Feb 3 Feb 2 Jan 30 Jan 29 Yr ago High! Low Figt 7 Feb 4 Feb 3 Feb 2 Jan 30 Jan 29 Yr ago High! Low First invariance List 1998. An inpite reserved. * for 1997/99. Generations Securities high alone disreptions of the 1998. An inpite reserved. * for 1997/99. Generations Securities high alone disreptions of the 1998. An inpite reserved. * for 1997/99. Generations Securities high alone disreptions of the 1997/99. Generations Securities high alone disreptions of the 1997/99. Generations Securities 167/1026 and Pund Interest 1928. SE actively indicate relationship in the 1998 of Feb 1988 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	He to 5 years (2)	215.02	_0.03	215 10	'214	200	The tea K us						_			
All stocks (12) 215.47 — 0.17 215.64 1.39 1.02 arrage gross redemotion yields are shown above. Coupon Bender Love: 096-7496; Mediant: 896-10949; High: 1196 and over: ↑ Flat yield, yid Year to date. Fixed Interest Indices Feb 4 Feb 3 Feb 2 Jan 30 Jan 29 Yr ago. High: Low: Feb 4 Feb 3 Feb 2 Jan 30 Jan 29 Yr ago. High: Low: Fixed Love: Fixed Interest 100,0279 103.02 103.02 103.02 102.12 102.92 95.5 103.02 93.31 Fixed interest: 137.85 138.03 138.08 138.25 137.80 117.98 139.27 115.37 Fixed interest: 137.85 138.03 138.08 138.25 137.80 117.98 139.27 115.37 Fixed interest: 139.27 115.07 Fixed interest 139.27 115.07 Fixed																
Trixed Interest Indices Feb 4 Feb 3 Feb 2 Jan 30 Jan 29 Yr ago High* Low* Feb 4 Feb 3 Feb 2 Jan 30 Jan 29 Yr ago High* Inspection 1970 Feb 2 Jan 20 Jan 20 Ja							Jis		3.00	3.00		2.01	. 2.8	> 3.30	,	
TFixed Interest Indices Feb. 4 Feb. 3 Feb. 2 Jan 30 Jan 29 Yr ago High* Low* Feb. 4 Feb. 3 Feb. 2 Jan 30 Jan 29 Yr ago High* Low* Prise interest 137.85 138.03 138.08 138.25 137.60 117.38 139.27 115.3 First interest 137.85 138.03 138.08 138.25 137.60 117.38 139.27 115.3 First interest 137.85 138.03 138.08 138.25 137.60 117.38 139.27 115.3 First interest 139.8 Air right reserved.* For 1997.99. Government Securities high since derephation: 127.40 (00/01/1/5), low 49.18 (03/01/75). Front interest high nince First interest 137.85 138.03 138.08 138.25 137.60 117.98 139.27 115.3 First interest 137.85 138.03 138.08 138.25 137.60 117.98 139.27 115.3 First interest 137.85 138.03 138.08 138.25 137.60 117.98 139.27 115.3 First interest 137.85 138.03 138.08 138.05 138.03 138.08 138.25 137.60 117.98 139.27 115.3 First interest 137.85 138.03 138.08 138.25 137.60 117.98 139.27 115.3 First interest 137.85 138.03 138.08 138.25 137.60 117.98 139.27 115.3 First interest 137.85 138.03 138.08 138.25 137.60 117.98 139.27 115.3 First interest 137.85 138.03 138.08 138.05 138.03 138.03 138.08 138.25 137.60 117.98 139.27 139.3 First interest 137.85 138.03 138.08 138.05 138.03 138.08 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 138.03 138.05 13							n- 896-10969.	: Hank: 1192		+ Elet	M .44 W.					
Fig. 1 Feb 2 Feb 3 Feb 2 Jan 30 Jan 29 Yr ago High Low Find interest 137.65 138.03 138.05 138.25 137.60 117.98 139.27 115.3 First interestional Lid 1998. As rights reserved. For 1997-96. Convertment Securities high stone completion: 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions) 127.27 (12507/98), low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions) 127.27 (12507/98), low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions) 127.25 128.03 (138.03 138.25 137.60 117.98 139.27 115.3 magnitude) 127.27 (12507/98), low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions) 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.40 1094/97/35, low 49.18 (0.0707/79, Freed Interest high stone completions 127.		,							=====	, ,	- yib ie	. 10 0416				
Price Section 1927 113.02 103.02 103.02 103.12 102.92 95.5 103.02 93.51 Fixed interest 137.85 138.08 138.08 138.08 138.25 137.80 117.38 139.27 115.3 mplantom 139.27 (12017/9), by #9.18 (03/017/2). Fload interest 127.40 (03/017/3), low #9.18 (03/017/2). Fload interest high since disriplistom: 127.40 (03/017/3), low #9.18 (03/017/2). Fload interest high since disriplistom: 127.40 (03/017/3), low #9.18 (03/017/2). Fload interest high since disriplistom: 127.40 (03/017/3), low #9.18 (03/017/2). Fload interest high since disriplistom: 127.40 (03/017/3), low #9.18 (03/017/2). Fload interest high since int	T Fixed Interes	t Indice	es:					:		•						
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CURRENCIES AND MONEY

Yen advances on rosy two-month view

MARKETS REPORT

By Simon Kuper

The yen surged against the

alised nations might unite to the dollar was Y122 help the yen when they meet on February 21. In any case the yen traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditionally rises in the gent traditional tradit the first quarter of the year, as Japanese investors sell foreign assets to shore up day. their balance sheets. However, some currency strate- between Iraq and the US gists warned that the yen would lose its support after the fiscal year-end on March 31, particularly if the stimulus package disappoints, as fisor many warn it will. Stephen 1 mth. Yorke, deputy head of for-1 w

eign exchange research at

SBC Warburg in London, much. The Swiss franc. one forecast that the dollar traditional safe haven, did would then rebound to X135 hit a two-year high at against the yen.

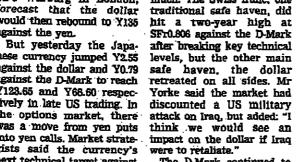
dollar yesterday thanks to a nese currency jumped Y2.55 levels, but the other main variety of forces expected to against the dollar and Y0.79 safe haven, the dollar prevail for the next few against the D-Mark to reach weeks at least.

Y122.65 and Y68.60 respec-Y128.65 and Y68.60 respec-There is growing talk that tively in late US trading. In discounted a US military Japan will soon produce a the options market, there attack on Iraq, but added: "I supplementary budget worth was a move from yen puts think we would see an more than Y6,000bn to stiming into yen calls. Market strate impact on the dollar if Iraquilate its economy, and that gists said the currency's were to retaliate." the Group of Seven industrinext technical target against. The D-Mark continued to

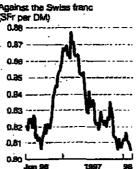
profit taking after their strong, breaking a long surges of Monday and Tues-

Growing fears of conflict failed to move the market

-- Prev. close --1.6485 1.6442 1.6392 1.6224



gain against the dollar, unhappy trend. Otmar Iss-ing, Bundesbank chief economist, said Germany's expo-sure to imports from Asia was relatively small and that concerns about global deflation were exaggerated. In late US trading yesterday the D-Mark was at DM1.8010 to the dollar, 1.8 pfennigs above Tuesday's London



■ The pound barely slipped against the D-Mark despite the dollar's decline. Sterling was buoyed by a Chartered Institute of Purchasing and Supply survey which showed strong growth in UK services in January. Short sterling futures contracts fell slightly, and are now pricing in a modest chance of a base rate rise when the Bank of England's monetary policy

committee finishes its outlook had worsened. rates unchanged today.

■ Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London. spoke out against the consensus view that the yen would collapse when spring began. He noted that the currency was still no weaker than it was six months ago. even though in the mean time south east Asian cur-rencies had dropped like stones and Japan's economic

# 01H	ek Çu		HENC	E5		
feb 4		£			s	
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Hungary	341 316	•	341.588	206.570	-	295.51
iran	4959.90	-	4555.20	3000 00	-	3000
Liment				0.3054		
Pens				27250		
Potend			5 8196	35150		
Russla	10,0030					
UAE	6 0686	-	6072.	16723	•	15.73

two-day meeting today. Base The yen's robustness rates currently stand at 7.25 suggested it was a "financial per cent. Currency strate- rather than an economic curgists forecast modest profit rency", said Mr Meggyesi. In taking on sterling if, as other words, it moved expected, the MPC leaves chiefly on financial data such as Japan's vast current account surplus. This surplus means that the Japanese have to sell Y10.000bn a

month just to stop their cur-

The Indonesian ringgit has risen recently to Rp9,500:10,000 against the dollar. But Credit Agricole Indosuez attributed this in part to "closed market intervention by the Bank of Indonesia, which sold dollars to selected local banks. Credit Agricole Indosuez boldly concluded: "We continue to envisage an evenrual blowout to Rp100,000."

■ The Federal Reserve left US interest rates unchanged after its Open Market committee meeting yesterday.

MONEY RA	TES							
February 4	Over Over	One month	Trice: mats	So wans	One year	Lomb. Inter	De. iote	Rep rate
Selgium	31.	3:	3:	3.	3%	600	2 75	
France	3	35	37	2:-	3]	4 60	-	3.3
Germany	33.	3;	31-	2.	4	4.50	2 50	3.3
reland	6	5	6.2	5.	5.	-	-	67
taly	6 -		617	5	51	7.00	5.50	6.2
iotheriands	3≒	3.,	3-€	•	3.	-	2 75	3.3
Switzerland	a.	- 3	1'*	12	15-4	-	1.00	
JS	5 <u>"</u> .	5':	5.	57.	5%	-	5 00	
lapan	7.2	-	•	*	1.0	-	0.53	
S UBOR FT Lo	ndon		_					
nterbank Fizing	-	5 %	5	5.4	50	-	-	
JS Dollar CDs	-	5.36	5.38	5.40	540	-	-	
CU Linked Ds	-	4:	±°.	40	41	-	-	
SDR Linked Ds	-	3:,	33	3.	4:	-	-	

on 20-2-36 Any Mointen are thou	comments sh	onic pa seu	is Name D	C Payon Fran	cal Equit. a	r uno FT
EURO ÇU	RRENC	Y INTE	REST	RATES		
Feb 4	Short term	7 days nosce	One mor.th	Three	Sav months	One year
Belgian Franc Danish Krone German Mark Durch Guilder	312 - 31 ₂ 312 - 31 ₂ 312 - 312 313 - 314	3½ - 3½ 3½ - 3½ 3½ - 3½ 3½ - 3½	314 - 314 315 - 315 314 - 34 314 - 34	311 - 212 35 - 35 35 - 31 315 - 315	312 + 313 2 + 37 221 + 313 212 + 312	3% - 3 4½ 3% - 3 34 - 3
French Franc	27 25.	37	11.	19 22	321 . 3.7	3.5

	term	neuce	mor.:h	months	months.	year.
Belgian Franc	312 - 312	352 - 312	315 - 315	3:1 - 3:1	3)2 - 313	3% - 3%
Danish Krone	313 - 312	33 - 32	33 - 31	37 - 38	37	42 - 4
German Mark	3,2 - 3,2	352 - 313	315 - 34	3.2	321 - 353	375 - 365
Durch Guider	3 5 - 34	312 - 314	3-3 - 3,5	3,6 - 3,2	24 - 34	3-4 - 352
French Franc	3.2 - 3.2	3:1 - 5:2	311 - 113	31,	311 - 372	535 - 3.4
Portuguese Esc	532 - 5	57. 53	- 451		413 - 412	-12453
Scanish Pesera	415 - 433	5 - 43	4	411 - 412	يت واد	445 - 4,5
Stering	7.8 - 7.8	$7A \cdot 7A$	76 - 73	772 - 7.	75 - 713	76 - 713
Swess Franc	7 1 ₂	14	14 4	1.5 1.	1 5 - 14	17 - 117
Canacian Dollar	45 - 43	412 - 412	4	5 - 27,	5/c - 412	514 - 51a
US Doller	5/2 - 5/2	5,4 - 515	513 - 515	550 . 519	55g - 512	50 - 52
Italian La	6 ¹ 2 - E	66 - 63	6 . 6 .	6, E ¹ ,	33 - 53	5 542
Japanese Yer:	12 - 4	i .	35 - 2	12.2	i3 - 1	5 ₂ - 1 ₂
Asian SSing	2 14	5 - 5	6 . 61	7 - 612	852 - 55	gl l
Short term rates a	ere code for m	to US Dellar	and ren, con	were two day	rs monice	
e three mo						te
Op	en Sen:	once Cr.an	ge High	Lcw	Est. vol	Open int
Mar 96	37 96.	37 -	96.39	96.35	5,051	75,900

Japanese Y Asian SSino				. 6l ₂	12 . 52 7 - 612	85 ₂ - 75 ₃	gl 1
Short term i	ones are c	at for me US	Dollar and	ren, conc	er two day	S NOTICE	_
						Est. vol	
	Open	Sen pace	Criange	High	Lcw		•
Mar	96 37	96.37		96.39	96 36	5.051	75,900
Jun	95.24	96.23	-0.01	96.24	96.22	4,186	50,265
Sep	96 14	96 11	-0 02	96 14	96 70	206	28,519
■ THREE	MONTH	EUROMA	RK FUTU	IRES (LIF	FEI DIATA	n points of	100%
	Open	Sett price	Change	High	Low	Est. voi	-
Mar	96 415	96 400	-0 010	96 415		2855\$	38538
Jun	96.250	96.240	-0.610	96,250		37152	3-656
Sep	96.140	96,120	-0 020	96 140	96 100	42460	26287
Dec	95 990	95.950	-0.640	35 990	95 935	54794	26081
E ONE M	ONTH E	UROMARK	FUTURI	S LIFFE) DM3m p	onts of 10	0%
	Open	Sett price	Change	High	Low	Est vol	Open ir
Feb		96.52	-			D	133
Mar		96.47	-			D	1150
Apr		96 43	-0 01			Ü	50
May		96.37	-0 01			ű	1
E THREE	MONTH	EUROLIR	A FUTUR	ES (LIFF	E)" L1000n	n points of	100%
	Open	Sett pace	Change	High	Low	Est. vol	Open in
Mar	94.15	94.19	+0.03	94.20	94,13	20575	13903
Jun	94.97	95.03	+0.06	95.05	94.93	38097	158159
Seo	95.40	95 45	+0 04	95 47	95.39	20107	108379
Dec	95.64	95 6 5	-	95.66	95.62	9426	12859
	NONTH EL	JRO SWISS	FRANC FU	TURES (L)	FFE) SFr1m	points of 10	D-0
	Open	Sett price	Change	High	Low	Est vol	Open if
Mar	98 67	98.70	+0.03	98.75	98.56	22373	76781
Jun	98.53	98.58	+0.05	98 63	98.53	17967	47997
Seo	98.44	98.46	+0.05	98.50	98.42	3908	22418
Dec	98.25	98.27	+0.04	98 32	98.24	1815	12707
THREE	MONTH	EUROYEN	FUTUR	ES (LIFFE) Y100m p	oints of 10	0%
	Open	Sett price	Change	High	Low	Est. vol	Open in
Mar	98.99	98.99	-0.01	98.99	98.99	600	na .
Jun		99.13	+0.01		30132	0	na
Seo		99.09	+0.01		•	ō	na
•	MONTH	ECU FUT	URES (LI	FFE) Ecu1	m ponts o	v 100%	
	Open	Sett price	Change	High	Low	Est. vol	Úpen in
Mar	95.65	95.64	-0.02	95.65	95.63	560	8072
_	95.66	95.65	-0.03	95.67	95.64	286	6756
Jun Son	95.67	95 66	-0.03	95.67 95.67	95.64	548	9719
Sep Dec	95.85	95.84	-0.03	95 85	95.83	101	4041
		eded on APT	74.04	5. W	83.03		
E EUROL	IRA OPT	TORS (LIFF	E) £1000r	n points e	of 100%		

POUND SPOT FORWARD AGAINST THE POUND Feb 4 21.0266 +0.0063 156 - 376 21.0562 20.9532 20.9629 3.6 20.8518 3.7 20.3349 3.3 151.578 +0.0197 143 - 012 61.8110 51.4740 61.4754 3.5 61.0765 3.8 56.527 3.4 11.3876 +0.0024 225 - 927 11.4110 11.3490 11.3559 3.3 11.2884 3.5 11.0376 3.1 10.0735 -0.0002 088 - 182 10.0361 9.8980 9.8932 3.6 9.9192 3.8 9.8734 3.4 12.9865 +0.0009 870 - 900 2.9955 2.9763 2.9794 3.7 2.9601 3.8 2.8844 3.4 14.0419 525 - 637 474.141 470.733 476.041 - 7.5 483.872 - 8.1 510.854 3.4 12.885 -0.0024 844 - 365 1.1889 1.1844 1.1845 1.1 1.1816 1.3 1.1594 2.3 1.2854 +0.0193 48 0.014 14.3 012 61.8110 61.4740 61.4754 3.5 61.0765 3.8 59.5827 3.4 13.3696 +0.0013 667 - 704 3.3758 3.3561 3.356 3.8 3.3557 3.9 3.2517 3.5 12.4203 +0.0075 149 - 257 12.4501 12.3389 3.5 12.3037 3.5 12.053 3.0 305.760 +0.025 563 - 927 30.6433 30.745 3.5 50.748 2.3 30.749 2.8 270.757 2.8 13.220 40.0197 149 - 257 12.4501 12.3389 3.5 12.3037 3.5 12.053 3.0 305.760 +0.025 563 - 927 30.6433 30.745 3.5 50.778 2.3 30.749 2.8 270.757 2.8 253.250 -0.015 149 - 352 253.780 252.560 252.755 2.3 251.573 2.6 246.017 2.9 13.3350 -0.0069 032 - 11 3.3355 13.2281 2.53 5.9 2.3731 6.1 2.2738 5.6 24088 -0.0069 032 - 11 3.3355 13.2281 2.53 5.9 2.3731 6.1 2.2738 5.6 1.5150 +0.0008 138 - 181 1.5194 1.5105 1.5114 2.9 1.5037

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Denmark	Dkn	6.8899		889 - 909	6 9335	€ 6767	6 BE04	1.5	6.5507	1.7	6 7926		103.5	ı.
Finland	(FIAS)	5.4760		735 - 785	5.5095	5.4620	5 4565	2.	446	2 1	5.3758	18	600	Ī
Franca	ŒFri	6.0585		575 - 595	6.0977	6.0425	6 0487		E-2/86	2.0	5.953	_	104.5	le
Germany	(DM)	1.8082		076 - 065	1.2205	1.8048	1 8053	2.0	7991	2.0	1.7764		102.4	
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Italy	i.i.			480 - 630	1799.00		1736.5	-0.6	1788.07	-06	1779.7	0.3	74.9	•
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Netherlands	(FI)	2.0381	-0.012	376 - 366	2.0512	2.0348	2 6346	2.1	2.0273	2.5	2 0011	18	100.9	
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Switzerland	(SFr)	1,4580		575 · 585	1.4579	1.4546	1.4529	42	1,4423	43	1.3932	_	107.7	1:
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inus Israel	(Frisi) (Shiki)	35790		746 - 833	3,5380	3.5745		•	-	-	-		-	
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	, M	4.0153		105 - 200	4.1400	3,9000	4.0178	-0.7	4.0376	-2.2	4.2953	-7.D	124.6	١.
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New Zealand	(NZS)	1.7037		000 - 500	40.5500	39.9500	40.71	-13.0	41 566	-13 B	46,108	-14.5	-	J
Philippines	(Peso)	40.2750					• • • •		3.7544	-04	3.7675	-04	:	8
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enmark rance	(DKr) (FFr)	54,14 61,57	10 11.37	8.793 .10	2.624 2.985	1.041 25 1.184 29	62 2.9 47 3.3			222_4 252_9	11.69 13.29	2.116 2.407	0.878 0.999	2.099 2.387	1.551	204.8	1.513
ermany	(DM)	20.63	3.810	3.351			7.5 1.1			84.74	4,454	0.806	0.335	0.800	0.553	68.60	0.507
eland ally	(E)	52.01 2.089	9.607 0.386	8.447 0.339	2.521 0.101		190 2.8 100 0.1		257.9 10.36	213.6 8.581	11.23 0.451	2.033 0.082	0.844 0.034	2.017 0.081	1,394 0,058	173.0 6.947	1,270
etherland	ls (FI)	18.30	3,381	2.973	0.887	0.352 87	8. 1 1	3,687	90.77	. 75.18	3.952	0.715	0.297	0.710	0.491	60.87	0.450
ortugal orway	(NKr) (Es)	49.64 20.17	9.169 3 <i>.7</i> 24	8.062 3.275	2.406 0.977		176 2.7 15.2 1.1		246.2 100	203.9 82.83	10.72 4.354	1.940 0.788	0.805 0.327	1.925 0.782	1.331 0.541	165.1 67.06	1,22
DSN)	(Pta)	24.85	4,497	3,354	1,180	0.468 11	65 1.3	30 4.904	120.7	100	5.256	0.952	0.395	0.944	0.653	80.96	0.590
weden	(SKr) d (SFr)	46.32 25.59	8,554 4,726	7.522 `4.155	2.245 1.240		17 2.5 25 1.3			190.2 105.1	10 5.524	1.810	0.751 0.415	1,796 0,992	1.242 0.686	154.0 86.08	1.139
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anada	CS	25.79	4.764	4.189	1.250		35 1.4 86 20			105.9 153.2	5.569 8.054	1.008	0.418 0.605	1 1,446	0.691	85.77 124,1	0.634 0.917
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cu _	<u> </u>	40.70	7.517	6.610 .	1.973		HB 2.2			167.2	8.787	1.591	0.860	1.578	1.091	135.3	1
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BASE LENDING RATES

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	268.5	222.4	11.69	2.116	0.878	2.099	1.451	180.0	
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4.156 10.48	257.9	213.6	11.23	2.033	0.844	2.017	1,394	173.0	
0.421	10.36	8.581	0.451	0.082	0.034	0.081	0.058	6.947	
3.687	90.77	75.18	3.952	0.715	0.297	0.710	0.491	60.87	0.450
10	246.2	203.9	10.72	1.940	0.805	1.925	1.331	165.1	
4.062	100	82,83	4.354	0.788	0.327	0.782	0.541	67.0 6	
4.904	120.7	100	5.256	0.952	0.395	0.944	0.653 1.242	80,98	
9.330 5.154	· 229.7 126.9	190.2 105.1	10 5.524	1,810	0.751 0.415	1,796 0,992	0.686	154.0 86,08	
12.42	305.8	253.3	13.31	2,410	1	2.390	1.653	205.0	
5.196	127.9	105.9	5.569	1.008	0.418	1	0.691	85.77	
7,515	185.0	153.2	8.054	1.458	0.605	1,446	1	124,1	
3.058	149.1	123.5	6.493	1,175	0.488	1.166	0.806	100	0.739
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	merk	7.345		.53280	+0.0011		.55	Q.15	_
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WERTKAUF*

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have sold the

Wertkauf Group

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advised the shareholders of the Mann Group on this transaction

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COMMODITIES AND AGRICULTURE

Hanoi hopes liberalisation will prevent unrest among farmers

Vietnam relaxes rice monopoly

By Jeremy Grant in Hanoi

Vietnam is to allow private companies to export rice directly for the first time on a trial basis, marking a modest breakthrough in relaxing a state monopoly that penalises farmers and has shackled export potential for

The decision, one of a series of measures in a new government decree, is part of the gradual liberalisation of the rice trade that began last year when Hanoi devolved the allocation of some export quotas to ricegrowing provinces.

The decree also set this year's rice export quota at 4m tonnes, up from 3.6m tonnes exported last year.

However, economists say Hanoi sees the move as a way of avoiding devaluation of the dong, the local currency. The ruling communist party apparently wants to avoid stoking inflation in case it sparks unrest among farmers, which account for 75 per cent of the population. urged Vietnam to give private companies unfettered



The state rice monopoly has penalised farmers and shackled export potential for years

as a way of honing competitiveness through improved quality and marketing, and

raising farm gate prices. Vietnam last year was the to quotas and licences. world's biggest exporter of rice, but poor quality and by a handful of such compabroken contracts have nies with impeccable connec-Economists have long tarnished its reputation as a supplier, traders say.

Private companies account

production and distribution but can only export by going between local and internathrough state-owned companies with privileged access

Trade has been dominated tions to powerful interests in the communist party.

exploit price differentials tional prices at the expense of millions of farmers. mainly in the "rice bowl" Mekong Delta. However, an agriculture

ministry official said the government was considering allowing about five private This restrictive regime companies to export directly, access to the global market for about 90 per cent of rice allowed such companies to with a final decision on what Indonesia."

be decided in about a month. The decree also increased the number of companies allowed to export - including foreign rice production joint ventures - and abolished permits for fertiliser imports.

However, it was not clear how the decisions would be implemented, given likely resistance from the monopolies. "Any dismantling of the regime is a step in the right direction. But we'll have to see how the vested interests play with it," an analyst said.

Fears were subsiding that Vietnam might have difficulty with exports of its current winter-spring crop, given past months in which traditionally more expensive Thai rice has undercut its Vietnamese equivalent.

Vietnamese and Thai rice prices had regained some parity and there was less Thai rice in the market, the analyst said. "When the [winter-spring crop comes off it will be the only crop in town. I think that they can probably sell. There's a lot of demand out there. Look at

> sition from member states. Yesterday's proposals for 1998-99 largely amount to a roll-over of existing arrangements, with a few excep-

EC backs

farming

support

By Michael Smith

measures

The European Commission

yesterday backed proposals

to keep agricultural support

prices largely unchanged and to implement a slight

reduction in the Common

Agricultural Policy budget

However, Franz Fischler,

agriculture commissioner.

warned it would be wrong to conclude that the status

quo could continue. "It is

quite clear serious problems

lie ahead that require a well

thought out strategy and not annual piecemeal policy

The annual fixing of

prices usually provokes

heated debate among mem-ber states. This year the

commission has attempted

to keep it as uncontroversial

as possible so the EU can

concentrate on proposals for

It wants big cuts in farm

support prices from 2002 but

its proposals face stiff oppo-

reform of the Common Agri-

adjustments."

cultural Policy.

for 1998-99 to Ecu40.4bn.

tions required for legal reacom<u>mitmen</u>ts made between member states. However, there will be a

25 per cent cut in aid levels per hectare of hemp following a significant expansion in the area devoted to it.

In the beef sector, the commission plans to lift Portuguese and Spanish ceilings for premiums. The commission said mar-

kets were more balanced in 1997 than 1996. The market for beef and veal, which deteriorated in 1996 following the BSE mad cow crisis, gradually recovered following intervention measures and an improvement in consumer confidence.

COMMODITIES NEWS DIGEST

Soft commodity prices down 7%

Soft commodity prices fell sharply in 1997 and are likely to fall again this year - although much less sharply before rising in 1999, according to the Economist Intelli-gence Unit. The EIU's latest analysis of the coffee, cocoa, oilseeds, grains, sugar and tea markets concludes that despite a 29.9 per cent rise in the price of beverage prices last year, a 24.5 per cent drop in grain prices helped drive the soft commodity price basket down by an overall 7 per

This year, the effects of El Niño - an abnormal warming of the Pacific that tends to disrupt global weather systems - are expected to dent supplies of cane sugar and force up raw sugar prices by 9 per cent. But plentiful supplies of coffee, cocoa and tea - creating a probable 12.1 per cent decline in the prices of these bever-ages – will offset sugar's gains, generating a 1.1 per cent decline in the EIU's overall soft commodity price index. In 1999, prices for the 15 soft commodities comprising the index are anticipated to rise by an average 3.7 per

The report warns that El Niño's reverberations may continue to cause crop damage over the next two years and, in the first half of 1998, "soft commodity prices will carry risk premiums" as the impact of El Niño on supply

"is expected to be the greatest". Fall-out from the east Asian currency crises also clouds the outlook, but the EIU has downgraded substantially its projections for global maize consumption as a result. Currency devaluation in Thailand is likely to boost exports of rice, and wheat prices are expected to remain firm. Gary Mead

■ BAUXITE

Comalco to develop Alcan reserve

Alcan South Pacific – a subsidiary of Alcan of Canada, the world's second largest aluminium group - has agreed that Comalco will develop Alcan's Ely bauxite reserve in the north of Queensland, Australia. Comalco already mines the nearby Weipa property.

The terms of the arrangement mean the integration of the mine's exploitation with Comalco's own bauxite mine at Weipa. Commercial terms of the deal are not being made public but it is understood that Comalco will pay tonnage fees and other costs for the right to exploit the

Alcan announced in August 1997 it would spend \$130m on the Ely project, about 20km from the Ely development, which was due to start up late in 1999 with an initial annual output of 2.5m tonnes.

Rio Tinto, the Anglo-Australian group, owns a 87 per cent interest in Comalco, whose Weipa mine has production capacity of 11m tonnes a year: in 1997 it produced

9.68m tonnes of bauxite. According to both companies, the agreement to co-

operate on developing the Ely project will help eliminate costs, as both both mines are contracted to provide bauxite for processing at Queensland Alumina, which is jointly owned by Comalco. Alcan and other mining companies. Gary Mea

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Crude oil retreats on fears of surplus

MARKETS REPORT

By Gary Mead and Robert Corzine

Bearish market sentiment was again evident in world oil markets yesterday. Fears of a possible surplus of crude developing in the months ahead briefly forced the price of the benchmark March futures contract for Brent Blend below \$15 a barrel. although it recovered in late trading on London's International Petroleum Exchange to about \$15.15.

Although the threat of a military clash between the US and Iraq has not receded, the markets seem to be looking beyond the short-term to the possible effects of a much expanded Iraqi oil-for-food programme

COMMODITIES PRICES

■ ALUMINIUM, 99.7 PURITY (\$ per tonne

E ALUMINIUM ALLOY (\$ per tonnel

1490.5-91.5

77,581

1315-20 1320-25

1317-17.5

5,393 1,672

521.5-22.5

520-20.5

5325-35

5295-300

58.993

15,915

5230-40

5215-20

4,153

1079.5-80.5 1071.5-72.\$

1072.5-73 5

1690.5-81.5 1678 5-79.5

1681-81.5

66.916

77.85 +0.60 78.30 77.10 73 1,915 78.25 +0.55 78.90 77.30 1,420 7,800

78 75 +0.65 78.80 78.50 51 1,931 79.15 -0.60 79.80 78.10 529 5.378

€ equav SFr equav

295.20 179.322 432.025 298.15 180.151 434.405

........3.79 12 months3.56

■ ZINC, special high grade (\$ per tonne)

■ COPPER, grade A (S per tonne)

M LME AM Official E/S rate: 1,6495

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

296 00-296 40

298.80-299.20 295.00-295.40

...3.76

Loco Ldn Mean Gold Lending Rates (Vs USS)

p/troy oz

427 35

409.55

412 40

S once

Previous clase 297 00-297 50

Day's Low

Sever Fix

Spot 3 months

6 months

Gold Coins

Krugerrand Maple Leaf

BASE METALS

Close Previous High/fow

Open int.

High/low

AM Official

Clase Previous High/low AM Official

Kerb close Open int.
Total daily turnover

High/low AM Official Kerb close

Close Previous High/low AM Official

Kerb close

Previous High/low AM Official

Kerb close Open int. Total daily turnover

Total daily turnover

Open int. Total daily turnover

TIN IS per tonne;

Total daily turnover

Open int. Total daily turnover

■ LEAD (\$ per tonnel

MICKEL (5 per tonne)

The United Nations yesterday said

LONDON METAL EXCHANGE GOLD COMEX (100 Troy oz.; \$/(roy oz.)

Mar Jun Sep

ENERGY

1522/1512

533.5-34 5 528.5-9 537/529 532-3 534-5

5405-10 5420-25

1109/1095

programme that would allow Iraq to boost its oil exports to \$5.2bn every six months from \$2bn at present, ounce. could be introduced in the Security Council by the end of this week. It could then be reviewed by the entire

Council as early as Monday. Although the plan would limit in order to avoid severe oil market distortions, analysts and traders fear sales - was seen as supportive.

it would still result in an oil glut. A note this week from brokers Société Générale suggested prices could fall to as little as \$10-\$12 a barrel if Iraqi exports rose to 1.8m-2.4m barrels a day as a result of an expanded oil-for-food deal.

While the eyes of most metals traders were distracted by the developments in silver, there was a flutter

Precious Metals continued

300.0 -4.2 300.5 295.8 708 1.739 300.4 -4.1 300.2 297.2 14 9 301.2 +4.0 302.5 295.5 50.628 70.020 303.1 -4.0 304.1 295.3 3.826 15.228 304.9 +4.0 305.0 302.2 39 5.638 306.8 +4.0 305.4 305.0 2 3.220 306.8 -4.0 305.0 305.0 2 3.220

3965 +10.3 3970 386D 1,180 9,356 394.2 +10.0 3940 3990 33 851 393.2 +10.0 - - 1 345 394.2 +10.0 - - 4 14

239 30 +2.35 239 50 257 00 238 3.506 236 30 +2.35 236 25 236 00 37 818 234 30 +2.35 - 1 233

700 0 +39 5 635 0 675 0 50 51 702.0 +40.5 708.0 656.0 32.931 59.610

680.0 +36.5 632.0 650.0 661 9.711

16,44 -0.06 16,65 16,25 48,092 90,211 16,65 -0.05 16,94 16,47 24,208 51,226 16,84 -0.08 17,04 16,72 8,867 30,281

17 12 -0.00 17 24 17 00 5.126 44 427 17 30 -0.93 17 47 17 20 2,171 21,510

15 12 -0 05 15 29 14 98 17 030 64 053 15 33 -0 03 15 49 15 22 13 643 46 743

15 95 -0.08 16 10 15 P9 2 094 12 294 16 23 +0.04 16 23 16 10 28 6 16 8

45 80 -0.25 46 30 45 60 13 834 53 619 46 35 -0.23 46 80 46 10 5.210 25 258 46 85 -0.16 47 20 46 70 1 708 15 25 47 35 -0.03 47 70 47 20 2 490 18,456

48 05 +0 02 43 10 47 50 1,149 11 743 48 50 +0 07 49 00 48 65 903 2 350

133 50 -1.50 139.75 138 60 6.568 21 014 140 25 -1.75 141 50 139.75 7,751 13,224

143,25 -150 143 50 141 75 2,983 11 149 144 00 -125 145 35 143 50 2 583 7 547 145 00 -125 146 75 145 75 1 756 12,355 142,00 -9,50 148 50 147,75 427 3,985

9.950 =0.270 10.110 9.850 170 1,980 3.770 =0.140 3.9000 9.770 160 2,030

2 350 +0.019 2.350 2.250 4.133 12.737 2 350 +0.012 2.355 2.305 1,402 11.273 2 355 +0.022 2.365 2.315 1,336 10.135

2350 -0 003 2350 2300 1006 11213

50 15 -0 80 51,05 49 70 18,014 34,751

53.50 -0.45 54.10 53.05 6.263 19.350 53.90 -0.40 54.55 53.70 4.469 12.580 54.00 -0.30 54.50 53.90 1.356 9.501

54 00 -0.05 54 20 54.00 746 8.711 53.40 -0.05 54 20 54 00 422 4.643

MATURAL GAS PE /1 000 thomas peace for therm

MATURAL GAS (INNEC (10 000 FAREM), SATABOLE

E GAS OIL PE (S/lonne)

II UNLEADED GASOLINE

HYMEX (42,000 US galls , C/US gails)

HEATING OIL IMMEX (42 000 US gails, clus gails)

- 1760 1740 1946 15081

109,722418,695

27,830 164,624

25,250 106,726

51,149 182,572

87

1,213 10,566

May May Jul

May May Sep Nov Jan

■ CRUDE OIL NYME× 11 000 barrels. S/barreli ■ SOYABEANS CST 15.000cd mar conceptible

PLATINUM NYMEX (50 Troy oz.; \$/troy oz.)

■ PALLADIUM NYMEX (190 Troy oz., \$250) oz.)

SILVER COMEX (5,003 Tray az.: Cents/tray az.)

Seti Day's

too over gold; the London afternoon Financial Futures Exchange, trading "fix" strengthened by \$2.85 over that in coffee futures largely focused on for the morning, to \$298.15 per troy

Analysts still felt gold was fragile, but a statement from the Swiss finance ministry that Switzerland would not be able to start selling official gold reserves before 2000 sales in any 90-day period to \$3.2bn even if voters approve a constitutional amendment to permit such

> Base metals failed to sparkle quite so handsomely as silver. While all those traded on the London Metal Exchange closed higher on the day, none of them were anything more than modest performers.

Tin looked strongest, closing up \$40 at \$5,270 a tonne, while copper gained \$18, ending at \$1,720 a tonne. On the London International

GRAINS AND OIL SEEDS

WHEAT LIFFE (100 tonnes: 2 per tonne)

90.50 -0.20 80.50 80.25

82.50 -0.20 82.50 82.10 84.20 -0.50 84.20 84.20 50.75 - - -

■ WHEAT CBT (5,000bu min; cents/60b bushel)

MAIZE CET (5,000 bu min. cents/56tb busheli

■ BARLEY LIFFE (100 tonnes: £ per tonne)

Mar \$21.50 -3.00 683.50 680.00 31,279 56 189
May 664.00 -2.50 682.00 682.00 6.673 30,682
Jul 687.50 -2.50 682.00 685.00 5,656 33,796
Aug 687.53 -2.75 687.00 685.50 171 5,319
Sep 573.50 -2.59 577.00 673.50 24 677
May 670.25 -1.00 675.00 668.00 1,414 13,467
Total 482.06 140,816

SOYABEAN OIL CET (90,000/bs; cents/lb)

SOYABEAN MEAL CET (100 tons; S/ton)

■ POTATOES UFFE (2) tonner, 5 per tonne)

FREIGHT (BIFFEX) LIFFE (\$10/index point)

905 -45 538 920 12 253 985 -30 990 965 39 435 1070 -49 1085 1080 80 502 550 -25 972 990 45 166 1186 - 1180 1160 5 91

Drice change High Low Vol and

49960 +200 49900 49100 61 431

226 764

520 00 -5 50 523.00 510 00 156

Minor metals from Metal Bulletin Surgean free market, 5 per b in warehouse unless otherwise stated (tast week 5 in brack

709 - - - - - 750 750 750

93.0 +2.0 102.0 +3.0 58.0 -

PULP AND PAPER

FUTURES DATA All futures data supplied by CMS.

■ PULPEX OMEX (USS: 24 air dry tens

25.65 +0.03 25.88 25.53 10.506 52.135 25.99 - 25.25 25.91 5.856 28.132 25.25 - 26.50 26.20 2,449 18.638

26.23 -0.01 26.42 26.25 62 4408 26.96 -0.05 26.25 25.92 195 2049 26.90 - 26.90 25.80 41 1.482 19,546 110,953

1953 -15 1967 1945 7273 38 660 1953 -11 1951 1928 2,775 33,069 1952 -07 1963 1945 1,777 21,768 1950 -10 1977 1965 142 7,543 1970 -10 1977 1965 12 1,364 12,320 113,248

3:75 -02**5**

82.50 -0.35 82.25 82.25 10 1.497

341 75 -2 50 345 50 341 00 12,377 50,462
351 75 -2 00 355 00 351 25 3,708 18,163
359 25 -1.75 363 00 355 00 529 23,947
568 00 -1 00 371.00 356.00 121 2,612
376 25 -1.75 381 00 376.00 268 4,335
371 00 -387 50 367 50 1 27

570.75 -2.25.275.50 272.25 29.334 137.230
280.75 -1.75.283.25 280.50 80.40 68 073
287.00 -1.25.289.25 286.00 7.552 72.042
283.50 -0.50 282.07 284.75 829 10.011
285.50 -0.50 282.07 284.75 829 10.011
285.75 +0.50 288.05 284.25 3.989 45.088
285.60 +0.75.294.00 290.50 374 2.643
50,198.377,628

75 50 -0.10 75.50 75.25 63 906 77 75 -0.10 76.15 77.70 127 165 77 75 -0.25 - - - 6 79.75 -0.25 79.50 79.50 20 273

213 8.341

20,009 99,837

80 1,422

Feb 3

May Jul Oct Dec Mar Total

Mar May Jul Sep Nov Jan Tetal

INDICES

Copper Lead Nickel Zinc Tin

Sett Day's

futures gained ground by midday, with the March contract up 1.25 cents to 178 cents a pound. Traders are closely watching developments in Brazil, where current auctions of government stocks will indicate whether fears of

switching between the March and

March finished at \$1,769 a tonne,

heavily than of late, with a total

6,087 lots, but the March contract

was weak and closed £13 lower, at

On the Coffee, Sugar and Cocoa

Exchange in New York coffee

short-term supply tightness may be

1029 -13 1043 1029 1,510 52,082 1054 -12 1067 1053 1,653 24,503 1075 -12 1085 1074 116 13,782 1095 -12 1107 1095 638 23,765 1120 -11 1133 1120 1,007 29,634

1577 -11 3602 1567 3,977 15,826 1607 -11 1638 1602 3,572 33,581 1639 -9 1660 1533 393 6,834 1664 -13 1688 1688 221 5,702 1694 -14 1720 1714 141 12,075 1723 -13 1748 1748 150 9,451

1244.83

1768 +3 1769 1750 1,843 23,266 1729 +4 1730 1710 1,597 14,255 1709 +4 1709 1692 350 2,978 1691 +6 1695 1674 168 1,470 1677 +5 1675 1670 25 68

180.10 +3 35 180.50 174.50 4,490 17,114 173.20 +2.45 173 75 169.30 1,280 7,248 164 30 +1 55 164.25 161 00 327 3,276 155.20 +1 05 155.00 152.00 344 2,044

160 9,491 8,567 86,590

3,996 41,989

72 1,888 39 372 6,527 31,825

Prest. day 1228.83

May at \$1,728.

£1.029 a tonne.

■ COCOA LIFFE (10 tonnes: Effonne)

E COCOA CSCE (10 tonnes; \$/tonnes)

COCOA (ICCO) (SDR's/tonne)

COFFEE LIFFE (5 tonnes: \$/tonne)

COFFEE 'C' CSCE (37,500lbs; cents/lbs)

147 45 +1 05 147.25 144.75 141.29 +1.05 142.00 139.00

E SUGAR '11' CSCE (112.000fbs: cents/lbs)

■ COTTON NYCE (50,000fbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000/bs; cents/lbs)

290.8 -3.8 295.0 290.0 3,654 18,131 294.4 -3.6 298.0 293.8 2,342 13,189 298.4 -3.3 307.8 298.5 58.3 5,571 294.6 -3.3 298.2 294.5 196 6,182 299.5 -2.0 300.5 298.2 90 516 8,874 42,002

11.12 -0.08 11.17 11.00 8.392 71.183 10.87 -0.10 10.95 10.7411.480 57.214 10.58 -0.10 10.73 10.60 3.514 30.531 10.71 -0.05 10.74 10.66 4.175 36.608 10.79 -0.04 10.82 10.75 821 13.095 10.78 -0.02 10.78 10.77 10.6 1.899 28,510.214.217

6655 -047 6705 6859 4.676 32.887 67.98 -031 68.30 67.85 2.045 18,157 69.24 -032 69.55 69.20 1.030 17,080 71.30 -050 71.69 71.30 221 2.009

72.70 -0.30 72.95 72.70 1.448 17.233 73.67 - 73.85 73.85 89 857 9,541 88,758

COFFEE (ICC) (US cents/pound).

Sett Day's

SOFTS

May contracts, with both gaining \$3;

Cocoa on Liffe was traded more

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000fbs; cents/lbs) Sett Day's 63,400 ±0 125 63,475 62,750 7,906 22 163 66.250 -0.125 66.450 65.65010,188 45.249 67.625 -0.200 67.900 67.350 3,602 25.295 88.500 -0.250 68.950 68.400 769 8.488 70.150 -0.325 70.700 68.950 249 3,825 71.225 -0.225 71.800 71,200 42 ■ LEAN HOGS CME (40,000fbs; cents/lbs) 55,850 +0,175 55,850 55,100 3,829 12,786 56,450 +0,025 56,500 55,800 4,835 16,095 63,700 -0,125 63,825 63,400 1,123 11,041 63,154 -0,356 63,500 63,000 395 3,525 61,250 -0,050 61,400 60,600 388 1,188

Apr S6.450 +0.025 56.500 55.800 4,835, Jun 63.700 -0.125 63.825 63.400 1,123 Jul 63.150 -0.350 63.450 63.000 395 61.252 -0.850 61.400 60.600 88 Oct 57.975 -0.200 58.250 57.850 141 Total PORK BELLIES CME (40,000lbs; cents/lbs) 51.375 -0.425 52.000 50.750 796 50.350 -0.775 51.300 49.850 909 50.825 -0.225 51.500 50.300 442 48.450 -0.800 50.630 49.400 84 47.475 -0.475 48.700 47.500 11

LONDON TRADED OPTIONS

Strike price \$ tonne -- Calls -- -- Puts --25 37 45 57 71 1500 **■ COPPER** 15 33 60 35 54 79 113 133 43 ■ COFFEE LIFFE E COCOA LIFFE 27 39 54 1025

> LONDON SPOT MARKETS E CRUDE OIL FOB (per barrel) \$14,50-4,53 -0,260 \$15,04-5,07

18

Mar Apr Mar Apr

58

Gas OB
Heavy Fuel OR
Naphtha
Jet fuel
Diesel
M NATURAL GAS (Per S150-151 \$153-155 9.90-10.00 Bacton (Mar) n (0171) 359 8792 OTHER

697.50c \$238.00 *86.0c 247.5 88.86p 77.16p 72.93p -0.86 +7.86

E Routers (Base: 18/9/31 = 100) Feb 4 Feb 3 month ago year ago 1745.0 1752.8 1733.4 1948.3 E CRB Futures (Base: 1987 = 100) Feb 3 Feb 2 month 2go year ago 234.09 235.11 E GSCI Spot (Base: 1970 = 100) LME WAREHOUSE STOCKS (to

-2,250

97.50 -0.05 98.40 97.00 1.695 19.480 190.80 -0.15 107.25 100.00 704 7.181 102.65 -0.15 107.25 103.00 332 5.032 108.50 -0.15 107.90 106.90 45 2.947 108.50 -0.35 109.20 109.00 25 2.220 - 100 1.033 Gold (per troy oz) \$

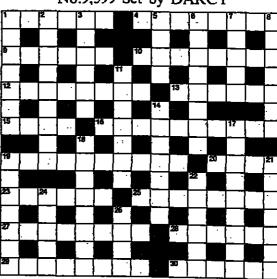
Silver (per troy oz) \$

Platerum (per troy oz.)

Paladium (per troy oz.) VOLUME DATA Copper Leed (US prod.) Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in amears, Volume & Open Interest totals are for all traded months. Tin (Kuale Lumpur) Tin (New York) Cattle (live weight) Sheep (live weight Pigs (live weight)† Lon. day sugar (raw) Lon. day sugar (wte) Berley (Eng. feed) Malze (US No2 Yellow) Whear (US Dark North) Rubber (Mar)♥ Rubber (Apr)♥ Rubber -0.50 Coconut Oi (Phill)§ Palm Oil (Maley.)§ Copre (Phill)§ Soyabaans (US)

JOTTER PAD

CROSSWORD No.9,599 Set by DARCY



12 Fact - we do appear terribly unrellable (3,5)
13 Come down on Cliff's side?

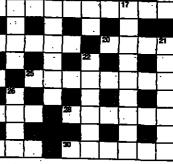
15 Welsh representation? Brighten considerably, hav-

that may be abrasive? (5-5) 20 Statesman, being rather insulting, is a jerk! (4). 23 Not realising potential of

> this book was printed by architectural ornament (8)

DOWN 1 Small section in exam about the Globe? (7)

3 Charted series of locations under similar pressure? (6) 5 A mother, one excluded from 10 across (4)



11 See 2 down 14, 17 Two doctors go in to do their job, having appointments, and change the rules? (4,3,9) 18 Going out with us in case

there's trouble? (8) 19 Type of sweet made firm flesh sag (7)

across - both up to mis-chief (7)

regular locrement? (6)

24, 7 No insignificant person
may be put up and stand,
it's said, for this award

Manuel being half-gone? 26 Craft club? Love to join in!

Solution 9,598



Der terme unken eiterwise stated, p parceilig, c centarib, r rings/kg, m Malaysten centarig y Februar k Mar (\$ 572)
 Dutai \$12.62-12.88*(London Physical. § CF Pottarden. § Barico martas clips. * Change on web. (Based on 1,468)

42,040 370,325 108,500

Cotton Outlook A' Index

6 Be co-operative in a dance 1 The last bit of beef soup? after some drama (4.4) 7. See 24 down (6)
Constant training dressed at trousers? Not to play of the system lethargic (7)

these! (3)

9, 10 Brilliant winger to be paid for - are bids outrageous! (4.2.8)

That's one side of the coin 21 Clergyman interrupts 20

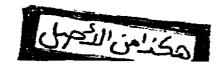
ing lost weight, after great excess? (10)

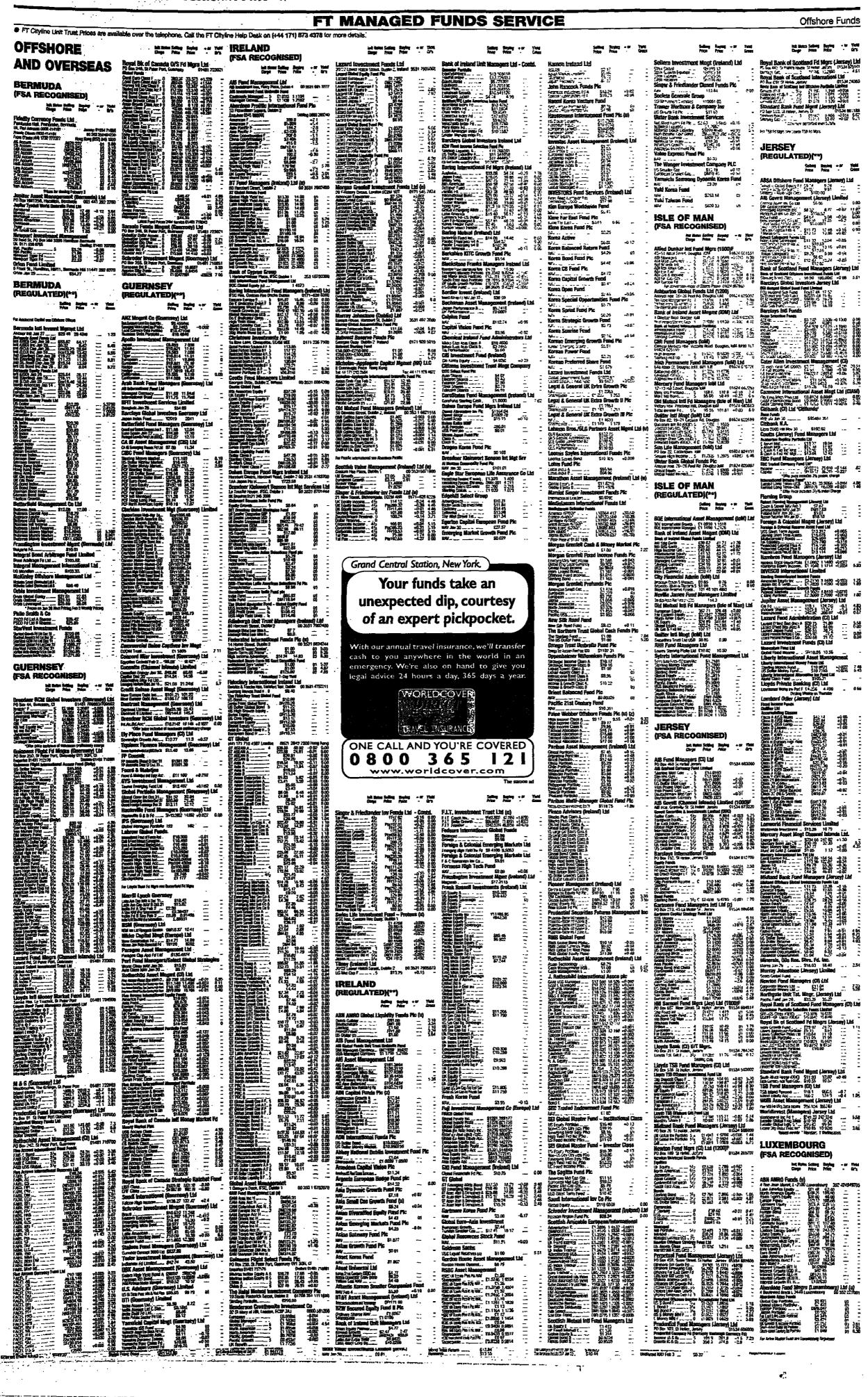
22 Some people on a 25 down in discussion to provide excess? (10) 19 The Mirror – a publication

25 Pick each new vegetable (4) 27, 28 A significant part of

Friday (8,6)
29 Unusual template for an 30 A woolly animal (6)

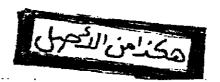
11 Try to improve cashflow again, on paper?

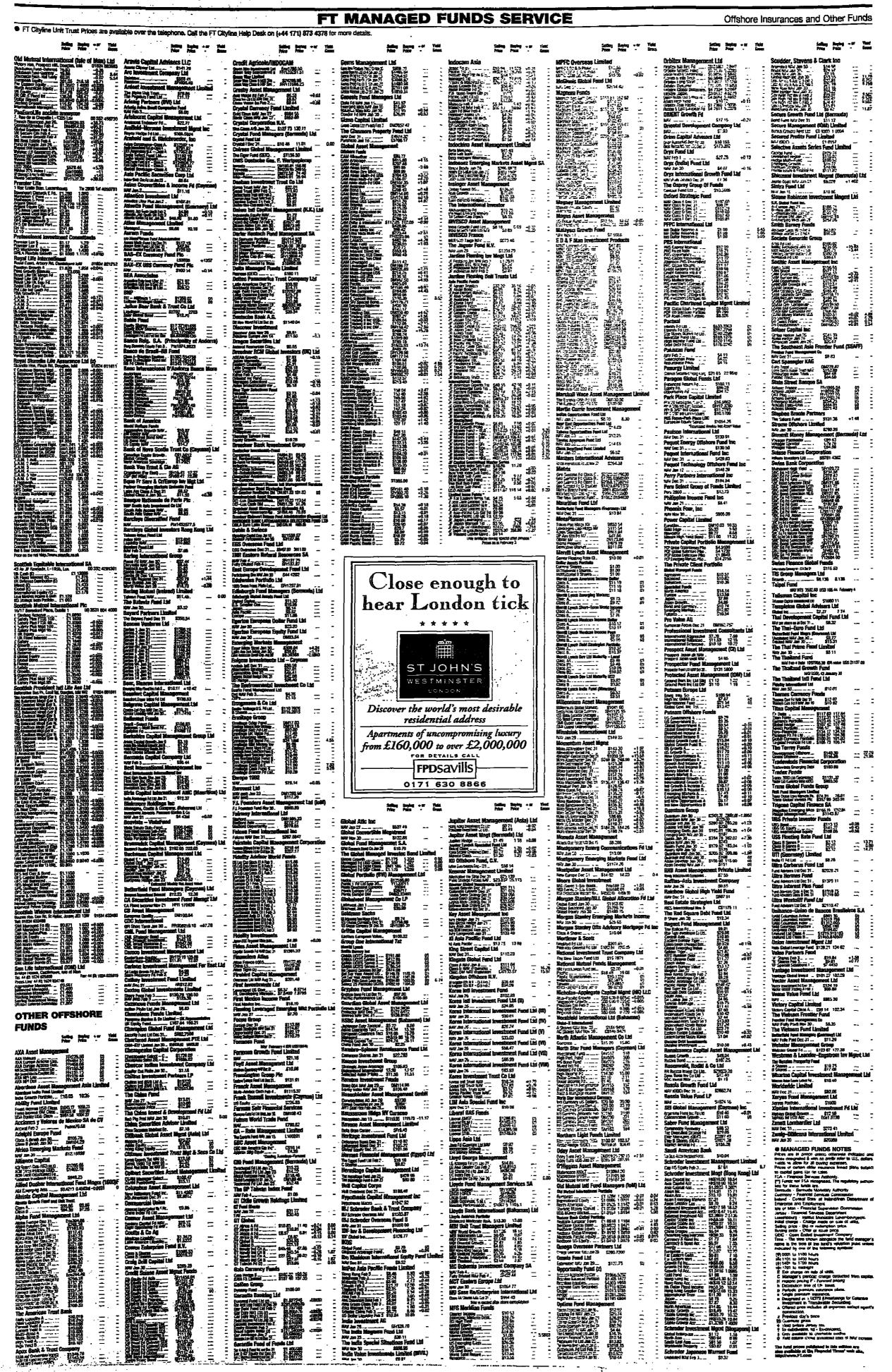




Offshore Funds and Insurances	FT MANAGED FUNDS SERVICE	
FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline H Int Tales Selling Boying or Trist Int Tales Selling Boying or Trist Corps Price Selling Boying or Trist Corps Price Selling Boying or Trist Corps Price Selling Boying or Trist American Thomas (International Control Corps Price Selling Boying Corps Pric	Led Bloth, Saling Departy or Third South Departy Price Street Service Street St	Scring Burlet + ar Yest Salling Burlet + ar Yest Pace Price Price Cheer Cheer Price Cheer
11	Stanley Size Stan	DRISTI DE
10 Percadiby London Prive GET 174 3/700 175 3/701 175 3/700 175 3/701	Section Column	Equation Facilities Equation Facilities Equation Facilities Equation Facilities Equation E
10 10 10 10 10 10 10 10	Target left Target left	Stricture Sept temperature Friends Frontière International
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German (State)	The European Asset Value Fand 19	Page Page
Capital Infernational Capi	Second S	South East Asia. 90,0000 02833 15 Cauthon 201 1000 02833
E-mail: Equip Footise E-mail: E-ma	Prince 1 1.23 1.27 1	Add Add
Bind Funds	Section Comparison Section Comparison Section Comparison Section Comparison Section Se	Section Colors
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32 LONDON SHARE SERVICE HOUSEHOLD GOODS & TEXT - Cont. ALCOHOLIC BEVERAGES | The color of the bluma 10 1995 Grs 1,517 11 12 12 9,481 20 1,533 40 1,533 40 1,533 40 1,533 40 1,533 40 1,533 40 では、100mmので INSURANCE では、「「日本のでは、「日本 | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants | Warrants DISTRIBUTORS □ 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 2.1 | 2.1 | 2.1 | 2.1 | 1.1 | 2.1 | 1.1 | 2.1 | 1.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | Share you like?

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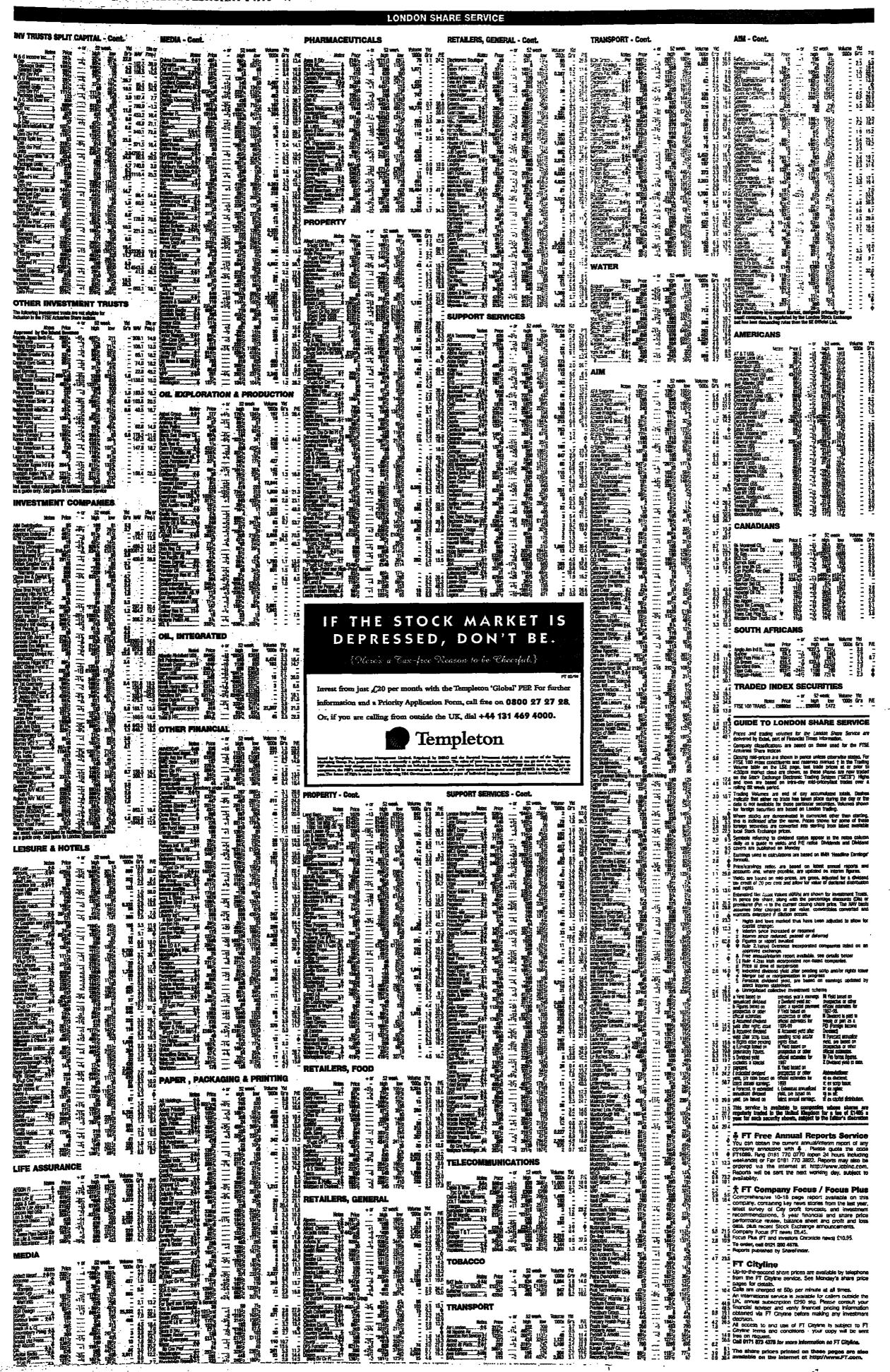
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2 81 The stars prices printed on those pages are size of 32 83 available on the internet of http://www.FT.com.





LONDON STOCK EXCHANGE

Equity market's winning run grinds to a halt

MARKET REPORT

By Steve Thompson UK Stock Market Editor

The London equity market's sequence of gains and record closing highs was finally brought to a halt vesterday as global markets registered increasing concern about the possibility of military action against Iraq.

Adding to the market's slight discomfort was the uncertainty over whether the monetary policy committee would recommend a shift in domestic interest rates. A decision will be announced at

That news will coincide with ance against the market recently. Swiss food giant, for £715m.

esbank council on the course of German interest rates. The US Federal Reserve's open market committee decision on US interest rates was not known during London market hours yesterday.

"Everyone was slightly shocked that we had no fresh bid stories today. We've been spoilt by the recent burst of takeover news, so a small bout of profittaking was inevitable," noted a

senior marketmaker. He insisted that the selling in the market was never sizeable. "It would be very difficult for fund managers, who have been taken to task for underperform-

the decision by Germany's Bund- to justify going even more under-

weight." The FTSE 100 index succumbed to the profit-taking and finished with a 17-point decline at 5,595.8. ending seven straight sessions of strong gains, the last five of of 4,963.0. which saw the index register record closing highs.

Although there was no takeover news, the market heard of another big special dividend announcement, expected to be the first of many this year.

Dalgety, the food manufacturing group, said it would return special dividend after selling its pet foods business to Nestlé, the

£16.37

Weir Group was one of the

FTSE 250 leaders, rising 17%

to 246p, helped by an order

from the Middle East. Engi-

neering stocks accounted for

almost half the top 20 risers

Other engineers that ben-

efited included Laird Group,

which advanced 22 to 4121/2p

and Spirax-Sarco, up 32 at

on the sector, among them

Christopher Priebe at Nikko

Europe, who has told clients:

"Large UK engineering sec-

expected to post earnings

growth of 8.3 per cent for

1997 and 13.6 per cent in

1998. When companies'

March, and value in the sec-

tor is realised, engineers

should find favour again."

tor companies as a group are

Many analysts are positive

in the FTSE 250.

Dalgety shares, which shot to the per cent, 13.1 per cent and 31.7 top of the FTSE 250 performance table, and helped to push the index up 19.9 to 4.935.8 - ever closer to its all-time closing high

Similarly, the FTSE SmallCap index crept to within 13 points of its record closing high, responding to fresh waves of buying interest, mostly triggered by takeover hopes.

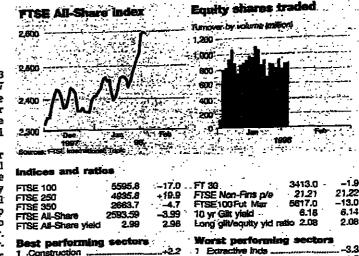
The FTSE 250 and SmallCap indices have been left behind by the FTSE 100 index over the past £650m to its shareholders via a month, three months and year, according to the strategy team at NatWest Markets.

The FTSE 100 delivered total

That news triggered a rise in returns over those periods of 6.3 per cent, compared with the FTSE 250's 1.7 per cent, 5.3 per cent and 9.3 per cent and the FTSE SmallCap's 26 per cent, 3.1 per cent and 5.9 per cent.

There was no real help for European markets from Wall Street, which fell away at the outset of trading, unsettled by the remarks about the potential for an escalation of any flare-up in the Middle East attributed to Boris Yeltsin, the Russian leader. The Dow Jones Industrial Average dipped by around 50 points not long after the opening bell. Turnover came out at 900m

shares, well up to recent levels.



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TRADING VOLUME

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Disposal boosts Dalgety

By Joel Kibazo, Peter John and Martin Brice

Dalgety jumped 49% or 16.87 per cent to 343p, the best performer in the FTSE 250. as the market savoured news of the group's disposal of its pet food operations.

The company, which yesterday revealed interim figures just ahead of market expectations, said it is to return £650m to shareholders via a special dividend.

Carl Short at SG Securities, a bull of the stock, said: "This is a super deal and helps to reveal the embedded value within Dalgety," Last month Dalgety sold its food ingredients division for

Elsewhere, fears about the future of UK lottery operator Camelot cast a shadow over shares surrendered 27 to 732p. Cadbury holds a 22.5 per cent stake in Camelot. United Utilities rose after

company's telecoms arm in Manchester hosted by Charterhouse Tilney.

The company was demontransmitting internet data and telephone calls through the system could boost oper- to £12.63. ating profits by 10 per cent within two years. And mega-mergers was said to

Charterhouse says there is have been behind the latest sie moved into negative terthe potential to undercut upsurge in Vodafone, the ritory. BAe gained 35 to cable companies for television and video on demand. The shares ended the day 14 higher at 828p. Turnover was higher than usual at 3.2m.

Reuters bounces

Reuters Holdings was the best Footsie performer as brokers said the market had over-reacted to last week's news of a US grand jury inquiry.

The shares had fallen 16 per cent following the announcement that a subsidiary was being investigated over allegations of plagiarising information from Bloomberg, Reuters' keenest rival. Yesterday, they bounced 40 or 7.7 per cent after a buy recommendation from Henderson Crosthwaite.

The shares were also helped by an afternoon statement that Reuters had "no knowledge" of an attempt to break into Bloomberg's database.

Banks resumed their strong trend as consolidation Cadbury Schweppes. The fever continued ahead of the reporting season, which gets fully under way with Lloyds TSB on February 13.

Although many banks an institutional visit to the have been quietly trying to talk down expectations. there was no let-up in the sector. NatWest led it higher with a rise of 46 to £11.45 strating its new system for Royal Bank of Scotlan improved 31 to 933p and Bar clays 48 to £19.48. However the electricity network. Con- Abbey National ran into servative estimates suggest profit-taking and fell back 49

The global trend towards

second-best performer in the FTSE 100 last year. The shares settled 201/2 higher at a record close of 504p.

Among hotels, Millennium & Copthorne Hotels improved 12 to 465 p ahead of a meeting with analysts yesterday evening. There were vague rumours of corporate activity at the company. Dealers said such talk had emerged from Hong

Engineering stocks were back in favour as investors took positions ahead of the engineers' reporting season. which starts with British Aerospace on February 19.

Fears of the impact on engineering stocks of an economic slowdown in Asia were thrust firmly into the results are announced in background as strong buy ing helped power the FTSE 250 index ahead while Foot-

	Feb 4	Feb 3	Feb 2	Jan 30	Jan 29	Yr ago_	*Nigh	*Low
FT 30	3413.0	3414.9	3409.9	3358.6	3340.8	2845.8	3430.3	2668.8
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- 15.	Shares traded (mi)†	-	NA	630.9	610.9	579
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Rises and falls"		52 Week highs	and lows	LIFFE Equity opti	ons
Total Rises	626	1 Total Highs	152	Total contracts	31,769
Total Fails	934	Total Lows	66	Calls - Puts	12,300
Same	1 472	!		Puris	19,469

FUTURES AND OPTIONS market continued to take a However, Martin Smith at cautious view of the stock Flemings said: "Asia looks IN FTSE 100 INDEX FUTURES (LIFFE) \$25 per full index point ahead of figures next week. set to export its way out of Open Sett price Change High The market is forecasting trouble and industrial stocks 5616.0 5617.0 -10.0 5635.0 5581.0 5661.0 5680.0 -10.0 5683.0 5653.0

reduced fourth-quarter net income for the company # FTSE 250 INDEX FUTURES (LIFFE) 210 per full index point because of concerns about BP's upstream operations. The consensus is £655m but Merrill Lynch recently came E FTSE 100 INDEX OPTION (LIFFE) ("5597") £10 per full index point back to £620m from £667m previously.

Miners Rio Tinto and Billi-

caught the eye in the sector, accelerating to finish the day a net 111/2 higher at 163p. Railtrack lost 40 to 922p after the rail regulator was reported to have said it was unlikely to ease the regulatory burden on the company if it took over responsibility

for building the high-speed Channel rail link. Ugland International Holdings rose 91/2 to 94p after a "buy" note from NatWest Markets that said: "The transformation of UI from a fragmented and poorly managed ship repair group to a high-quality, aggressive transportation and distribution company is clearly well

are bracing themselves for

the resultant import penetra-

tion in Europe and the US."

that the good value in engi-

neering shares has prompted

the strong performance

begun on Tuesday after excellent results from Bry-

ant. The latter moved up 6

more to 128p, but Redrow

directors' share buying.

He has also pointed out

Housebuilders maintained

SmithKline rises

Arbitrage buying following the drug company's plan to merge with Glaxo Wellcome saw SmithKline Beecham improve 61/2 to 837p. Some US investors were unwinding earlier short positions in SmithKline stock built up during its earlier plan to merge with American Home Products, Glavo II ward 17 to £19.44.

Cortecs added 9 at 1951/2p after the pharmaceuticals company announced positive interim results from Phase III trials on its Macritonin steoporosis treatment. Concern about the pros-

pects for the oil industry

saw BP slip 5 to 820p as the

FTSE Actuaries Share Indices

ton fell 241/4 to 808p and 9 to 147%p as copper and aluminium prices came under pres-

TT Group, the diversified industrial group, gained 21 to 271p benefiting from posi-

IN EURO STYLE FTSE 100 INDEX OPTION (LIFFE) \$10 per Aul index point industrial group, gained 21 to 271p benefiting from positive comment last week from Mar 225½ 39½ 186°2 49 150°2 63 110°2 80½ 90 102 88 127°2 45°2 158½ 31 122°2 100°2 65°2 100°2 68 127°2 45°2 158½ 31 122°2 100°2 65°2 100°2 65°3 100° Calls 6.019 Pals 5.570 " Underlying ladex

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			Feb. 2	Year ago	Gross div yield %		52 w 191gb	nek Low
Gold Mines Index (23)	1867.55	-43	1114.94	1714.38	2.58	_	1907.49	#B1.23
■ Ragional Indices								•
Altica (14)	1177.48	-29	1212.28	1939.60	5.54	. 21.58	2333.56	921.78
Australesia (7)	1401.27	+0.6	1392,79	1954,81	2.51	19.01	2124.22	933.63
North America (12)	993.22	-5.8	1054,55	1626.38	1,30	36.96	1780.66	864.B6
Copyright, FTSE Inter number of companies, were unavailable for the	Bands U.	3 Dollars	1998. A Base V	a rights alus: 100	reserved. F 10.00 31/12/5	igures i 2. † Per	n brackei rtiel, Latee	a show it prices
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Year Gross Net Net P/E Xd adj. Total 200 vield% vield% cover ratio viel Return

·	Feb 4	chge%	Feb 3	Feb 2	ago.	yield%	yeld%.	COMEL	ratio	ytd	Return
FTSE 100	5595.8	-03	5812.8	5599.0	4281.5	2.90	240	2.07	.20.77	298	2417.24
FTSE 250	4935.8	+0.4	4915,9	4878.4	4583,9	3.37	2.79	1,98.	19.88	6.02	2092.50
FTSE 250 ex IT	4964.7	+0.5	4940.B	4889.2	4524.2	3.49	2.89	1.91	18.78	6.05	2112.18
FTSE 350	2661.7	-6.2	2668,4	2659.4	2116.6	2.99	247	2.03	20.60	1.74	2351.57
FTSE 350 ex 17	2669.5		2874,4	2665.2	_	3.00	248	2.04	20.39	1.72	1208.76
FTSE 350 Higher Yield	2657.A		2669.7	2666.6	2035,8	3.86	3.22	1.90	17.04	1.34	1997.58
FTSE 350 Lower Yield	2685.0		2683.0	2667.9	2204.8	2.11	1.72	227	26.08	215	1932.95
FTSE SmellCap	2393.22		2388.80	2384.66	2319.00	3.01	2.43	1.59	26.08	2.22	2060.38
FTSE SmallCap ex IT	2382.89		2375,42	2370.39	2330.46	3.21	. 2.59	1.66	23.43	1,95	2071.12
FTSE AS-Share	2593.59		2597.58	2569.08	2089.61	2.99	247	2.00	20.87	1.74	2323.95
FTSE AS-Share ex IT	2601.82		2605.80	2596.95	-	3.01	249	2.02	20.53	1,70	1199.26
■ FTSE Actuaries Indi	ustry) STC		Year	Gross	. Net		a.	Xdađi.	
	Feb 4	Day's chge%	Feb 3	Feb 2	200	yield%	yield%	Net cover	eric.	. ytd:	Total Return
40		_							 -	•	
10 RESOURCES(22)	4439.48		4488.39 3205.62	4435.12	4184.44	3.52	2.88	1.81	19.69	0.00	2009.80
12 Estractive Industries(5) 15 Oil, Integrated(4)	3099.43 4884.32	-33 -08	4922.95	3143,44 4671,13	3774.12 4357.93	4.55 3.58	4.02 2.57	1.88	14.60	0.00	955.32
16 Qi Erologigo & Proditis	3364.39	-1.0	3396.67	3347.68	3574.28	1.57	1.38	1.77 2.32	19.87 32.19	0.00	2275.67 2069.82
20 GEN INDUSTRIALS(224)	1928,19		1928.12	1909.80	2028.67	3.98	3.40	200	15.68	1.29	1145.92
21 Construction(38) 22 Building Mads & Merchs(27)	1370.30		1340.85 1843.51	1309.85 1840.70	1352.31 1867.19	3.38	2.72	2.27	16.34	0.44	1208.07
22 Chemicals/25)	2550.99		2565.11	1640.70 2518.08	2355.76	4,64 4,07	3.82 3.52	1.93 1.65	13.94 18.68	0.46 0.46	879:37 .
24 Diversified Industrals(11)	1295.74		1289.40	1294.43	1499.50	4.42	4.07	213	13.30		1287.31. - 791.50
25 Electronic & Blect Equip(27)	2160.00		2185.03	2181.33	· 2345.20	4.12	- 3.33	1.87	18.16	9.00	1179.25
26 Engineering(51)	2573,43	-0.1	2578.65	2545.67	2605.28	3.74	3.30	2.65	12.60	0.79	1838.91
27 Engineering, Vehicles(11)	3388.94	+0.1	3385.84	3342.66	2330.01	2.88	243	Œ02	80.001	0.28	1848.84
28 Paper, Pckg 8 Printing(24)	2002.41	-0.1	2004.17	2006.35	2478,10	5.23	4.32	1.91	12.53	0.48	889.80
30 CONSUMER GOODS(00)	5791.70	+0.3	5777.25	5834.49	3863.85	2.60	225	1.85	26.05	244	2263.01
32 Alcoholic Beverageai®	3289.90		3298.45	3210.58	2633.46	354	3.50	245.		0.31	1267.51
33 Food Producers(24)	3502.06	+0.7	3479,22	3451.17	2649.80	3.05	253	1.95	21.03	B.33	1680.41
34 Household Goods & Texts(24)	3120.55	-1.0	3150.79	3152.54	2666.96	4.03	3,44	1.92	16.13	0.73	1298.03
36 Health Care(14)	2431.58	-0.1	3432.00	2416.43	2175,91	211	. 1.76	1.81	32.83	0.83	1539.36
37 Pharmeceuticals(19)	10733.11		10681.29		9076,25	1.74	1.45	1.70	42.44	0.03	3801.81
38 Tobaccc(3)	4903.15	0.8	4844,14	4831.49	4061,49	5.90	<u>52</u> 1	1,60	13.27	0.00	1310.93
40 SERVICES(280)	3013.41	+0.1	3010.80	2988.94	2647.59	2,78	2.25	1.95	23.07	4.43	1844.10
41 Distributors(28)	2457.40	-02	2463.03	2422.97	2863.53	3.80	3.10	2.05	16.05	0.00	952.97
42 Laisure & Hotels(27)	3448.64	-04	3134.80	3469.80	3484,89	279	2.23	218	20.56	17.12	1935.00
43 Media(42)	3044,42	+1.5	3886.75	3890.21	4296,34	2.58	214	1.92	25.17	252	1478.38
44 Retailers, Food(14) 45 Retailers, General(49)	2890.19 2312.74	-08 -03	2313.95 2320.33	2893.62 2275.05	2063,51 2041,62	295 3.06	2.36	2.30	18.45	0.00	1944.36
45 Teleconthunications(10)	3252.86	+0.3	3243.71	3229.97	2272.76	271	219	2.33	17.50	5.49	1396.D:
47 Breveries, Pubs & Rest (24)	3705.64	-08	3740 10	3735.00	3348 82	321	257	1.48 2.31	31.17 16.90	3.69 11.75	1581,45 1878,47
48 Support Services(61)	3990.45	+0.5	3970.23	3920.46	2011.21	1,45	1.18	230	37.50	0.42	2815.10
49 Transport(25)	2944.14	-0.7	2963.43	2934.04	2755,70	3.47	2.83	1.29	27.95	4.78	1300.18
60 UTLINESCO	3780.85	-0.3	3790.42	3757.97		4.16	. 3.33	1.72			_
62 Bectroity(9)	4240.09	-443	4240.65	4206.95	2915.52	4.16	3.50	1.72 2.13	17,49 13.05	4,81 3.84	1782.32 2444.28
84 Gas Distribution(2)	2918.85	-13	2958.34	2912.77	1534.25	2.23	1.78	Z13.	13115	3.84	2444.26 1671.82
68 Wiche(12)	3253.51	+0.3	3244.37	3233.17	2508,48	5.25	4.20	221	10.77	10.26	1976.10
60 NON-FINANCIALS(638)	2566.70	-0.1	2588.49	2559,15	2140.59	3.71	2.50	_			
								7,89	21.21	2.22	2086.98
70 FEMANCIALS(108)	5421.12	-0.4	5441.88	5426.95	3846,60	2.73	2.20	243	18.87	0.34	2472.38
71 Benico, Retail(12)	8060.85 2403.01	-10	8083.21 2428.40	B028.99	5845,76 1710,47	2.60	2.08	2.53	18.09	0.00	2782.79
73 Insurance(17)	6738.57	-1.U -1.6	2428.40 8843.23	2418.87 8875.56		2.68 2.71	3.03 2.23	277	12.29	0.20	1951.95
74 Life Assurance(8) 77 Other Financial(26)	6138351 47006.09	-15 -02	4109.35	4078.18	3097.31	2.M 255	223 208	2 <i>21</i> 228	2028	0.00	2984.59
79 Properly(48)	2311.23	-05	2324.84	2330.64	1836.01	279	2.29	1.43	21.50 31.42	528 1.59	2468.38 1502.67
80 BAVESTIMENT TRUSTS(118)	3567.95	-0.2	3574.13	3576.74	3293.61.	2.17	1.74	1.18	48.86	4.34	1280.43
89 FTSE All-Share(987)	2593.59	-02	2597.58	2589.06	2089,61	2.99	2.47	2.00	20.87	1,74	2323.96
105 FTSE All-Share ex 117748	2501.02	-02	2605.80	2598.95		3.01	249	2.02	20.53	1.70	1199.26
Information Technology	1228.65	+1.8	1208.59	1194.53		D B4	· 0.59	2.89	72.26		
FISE Placeting	1296.25	+1.5 -0.1	1299.17		1301.66	. 341	2.74	—		0.28	1228.85
	1318.23	-4.1	1316.42	1316.13		3.83	3.08	1.41. 1.45	26.03		1424.58
FTSE Fledging ex IT		·			1964,11					2.08	1448.55
FTSE AIM	983.8	+0.3	981.2	975.1	· · · <u>-</u>	1.18	0.93	0.82	80.00)	0,40	906.94
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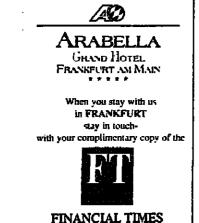
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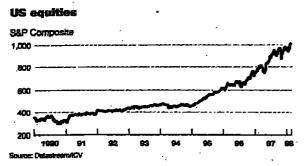
Traders shrug off Yeltsin comments

WORLD OVERVIEW

in days gone by, a mention of a possible world war hv the Russian head of state would have given share prices a rough ride, writes Philip Coggan.

But yesterday's comments from Boris Yeltsin seemed to be shrugged off by traders. with few taking the Russian leader seriously. "The com-ments seem a little bit on the wild side," said Mark Geddes, economist at ABN Amro. "I wouldn't put too much credence on them."

More important for equity markets seemed to be the for a long round of dismal



breathtaking rally. The region's economic problems are far from over, and the market needs to brace itself earnings announcements. "The rallies

in Asia are likely to prove short-term bounces rather than the bottom of a bear phase." said Edmond Warner, global strategist at NatWest Markets. European markets braced

Fiat was the star performer

in MILAN, surging 4.5 per

cent on rumours that a for-

eign carmaker was building

a stake in the group as a

Investors have been specu-

lating that Fiat might seek a

partner once chairman-elect

Paolo Fresco takes over in

June. A number of foreign

carmakers have been men-

tioned as possible partners,

including General Motors

and Chrysler of the US, and

The shares ended up L256

L6,048 after a number of

Elsewhere, strong buying

big buy orders appeared on

of insurance stocks as inves-

tors switched out of banks

left the Mibtel index 229

PARIS consolidated after

its recent record-breaking

rup, with dealers reporting

some profit-taking as inves-

tors locked in gains on a

mixed day for corporate

Among the fallers was

dealers' screens.

higher at 19,232.

Daimler-Benz of Germany.

step to a strategic alliance.

themselves for the outcome of US, German and UK interest rate decisions, although it was only in Britain that there was perceived to be much of a chance of an After the raft of record highs achieved earlier in the

week, it was no surprise to

see an element of profittaking, but losses in most European markets were kept under 1 per cent. The US stock market, which has also been racing

abead this week, opened with a modest decline. However, Abby Joseph Cohen, the Goldman Sachs strategist who has been the

DM262.50 on a press report

quoting the chief executive

as forecasting net profits of

more than DM600m this year. The company had pre-

viously forecast profit of

Hoechst rose DM3.35 to

DM74.50 as merger specula-

AMSTERDAM ouickly

reversed small early gains as

the market was depressed by

selling of AEX call options.

The AEX index finished 7.73

tion continued to simmer.

more than DM500m.

lower at 952.73.

market, remained fairly

She is sticking to her endyear targets for the Dow Jones Industrial Average of 8,700 and 1,075 for the Standard & Poor's 500, which passed 1,000 for the first time

Ms Cohen says that "several valuation approaches, including Economic Value Added and inflation-related models, indicate that equities offer good value". She adds that around three-quarters of S&P 500

stocks have reported fourthquarter earnings so far and that of those, about 65 per cent were either at or above

MADRID bucked the gen-

erally downward trend to set

attributed the gains to

strong buying of index

futures towards the close

and persistent investor inter-

est in the banking sector.

The general index closed at

ISTANBUL fell 6.6 per cent

on selling over the US-Iraq

stand-off in the Gulf and

this week's losses to 14.4 per

MOSCOW lost ground as

local investors shunned

equities in favour of govern-

ment bonds, enticed by ball-

ooning yields as Russia

short-term borrowing needs.

Concerns about the outlook

for the rouble and Moody's

review of Russian credit rat-

ings sidelined foreign funds.

The RTS index ended 6.51

Written and edited by Michael

Morgan, Jonathan Ford, Nick

Miller and Paul Gregan.

lower at 284.80.

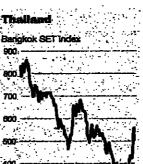
712.19, up 4.62 on the day.

Bangkok suffers

ever one-day fall as investors took profits after the 32 per cent advance over the previous five sessions.

The SET index tumbled 53.33 or 9.5 per cent to 505.59 in active turnover of Bis.4bn.

Heavy selling by domestic and foreign investors was seen, particularly in the banking and finance sectors. Brokers said that the government's decision last Fri-



ment in the market. But one analyst said that foreign investors went on a selling spree yesterday on the view that the fundamentals fell far short of supporting the cumulative 65 per cent rise in the market over

Exchange chairman, Amaret Sila-on, cautioned investors to exercise restraint. He said that although a sharp inflow of foreign capital since last week reflected a degree of offshore confidence in Thailand, it would not necessarily lead to a rapid recovery.

EMERGING MARKET FOCUS

Slovaks stuck in slow lane

Foreign investors have leserted Slovakia, and its young stock exchange, always overshadowed by its neighbours, has sunk into a deep sleep. Worries that the Slovak

koruna would devalue like its Czech neighbour, together with the country's ejection from the fast lane to Nato and European Union membership, have induced foreign investors to look for safer havens The Bratislava stock

exchange estimates that foreign investors made more than 20 per cent of trades in the first quarter of 1997, but little more than 10 per cent in the final quarter. Overall, turnover fell last year by 3 per cent to Sk102bn.

"I used to follow the Slovak market, but none of ested." said one emerging market analyst at a London-based investment

The government's intolerance of opposition, a serious cause of the foreign policy setbacks, is expected to sharpen in the run-up to parliamentary elections in September.

The currency is still under pressure as bulging current account and budget deficits continue to worry analysts.

Both, combined with growing corporate indebtedness, have led foreign debt to balloon to 56 per cent of GDP. Moody's announced last month it had placed Slovakia's Baa3 rating on review and local analysts expect it to issue a downgrade in late spring.

There are also few companies among the 60 or so liquid stocks on the bourse that would attract foreign

Of the major stocks, anayets only point to Slovnaft, the petrochemical company, and Slovakofarma, a drugs maker. Both are the only companies to have Although the economy is Robert Anderson

Fiat surges 4.5% on foreign partner talk watches in Hong Kong directly and not by way of

a new record high. Dealers

day to lift the two-tier market system for the baht had helped to improve foreign sentiment and attracted increased overseas invest-

the last three weeks.

Combined with the baht's recent 15 per cent appreciation, the temptation for foreigners to sell some of the Bt20bn of stocks they had bought proved too much to

ing weak results because of faltering domestic demand and the heavy financing burden caused by maintaining ambitious investment high interest rates.

Domestic interest has been lacking. Investment funds have never recovered from the cancellation of the second wave of voucher privatisation in 1994.

In addition, the bond market - where yields on government issues hit 30 per cent in October - now provides better returns. This has led the SAX index of the 16 leading

stocks, worth around Sk54bn, to stick between 150-225 since the bourse bedded down in mid-1994. Last year, the index fell by 5.1 per cent in dollar terms and it is currently bumping along the bottom

of its long-term range. Yesterday it closed 2.14 lower Analysts see some hope for the future. If the opposi-

tion wins this autumn's elections, it could herald the return of foreign direct investment. "The market is missing a spark and 1998 will be a difficult year," says Ivan

Gransky of Creditanstalt.

"But the time for the cani-

tal market should come, no

later than 1999".

Technology stocks hold up Wall St

US shares were cautiously mixed with the technology sector pushing higher, but most other sectors losing ground, writes John Labate in New York.

By early afternoon, the Dow Jones Industrial Average had fallen 35.88 to 8,124.47 while the broader Standard & Poor's 500 index was down 1.19 at 1.004.81.

'The market's somewhat eerily like it was on Tuesday," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut. "We had profit-taking in the morning with the Dow down 50 points early on, but the tech sector putting a bottom on the market."

Leading the Dow lower was Merck, off \$1% to \$114%, and Johnson & Johnson which fell \$% at \$68%.

US Treasury prices were mixed by midday. Analysts awaited the outcome of the Federal Open Market Committee's two-day meeting to decide interest rate policy. By early afternoon the benchmark 30-year Treasury bond fell 4 to 1031, sending the yield higher to 5.881 per

In the health sector. shares of Aetna climbed \$1# to \$78% after the company announced earnings in line

stand higher at mid-session, with investors shrugging off

falls on Wall Street. The IPC

index was 22.74 better at

4.788.18. However, volumes

were very thin. Dealers said

they expected trading to be

dull ahead of today's Consti-

SAO PAULO opened

weaker as investors took at 653.47.

tution Day holiday.

USAir announced a restructuring programme late on Tuesday and its shares responded yesterday.

rising \$1님 to \$63ఓ. Technology shares contin-ued higher, sending the Nasdaq composite index up 8.87 to 1,675.21. Semiconductor producers were mixed, but Novellus Systems surged \$3% to \$43% while Texas Instruments fell \$12 at \$57%. Among online companies. **Netscape Communications** surged more than 10 per cent higher to \$20% as the company announced a new ven-

Cisco Systems, which late on Tuesday announced strong earnings, advanced another \$1% to \$64%. Small company shares also

advanced as a group as the Russell 2000 index moved 1.95 higher at 439.75. TORONTO was higher in midday trading as the gold sector staged a rebound on

firmer bullion prices. The TSE 300 composite index was 29.15 better at 6.802.6. Gold stocks, which fell more than 5 per cent on Tuesday, gained back most of the lost ground, recording

a 4.6 per cent rise. Drinks giant Seagram gained C\$2.55 to C\$50.95 on a newspaper report that it planned to have talks with UK rival Allied Domecq this

At mid-session, the Bovespa

index was 55 lower at 10,000.

hit by profit-taking, with

investors locking in profits

after rises in the week's first

two sessions. Dealers said

Brazil's weak opening also

weighed on sentiment. The

Merval index was 0.89 lower

BUENOS AIRES was also

20 per cent. But investors were still picking up selected stocks. Electrical equipment maker Schneider climbed FFr3.20 to month about an alliance. FFr347 after posting a betterthan-expected 1997 profit Mexico bounces back projection.

FRANKFURT pressed on further into record territory during morning trade but gety for \$715m. the weaker dollar and Dow took their toll and the Xetra Dax index closed 19.93 lower on the day at 4,509.25. The newly listed Ergo.

insurer, climbed DM21.30 to

Brewer Groisch was one of Russian president Boris Yeltthe day's losers, down Fl 2.20 sin's comments that the US to Fl 54.40 as investors strategy towards Iraq could switched into Heineken. spark a world war. The which picked up F16.20 at IMKB National-100 index lost F154.30. KLM remained 214.24 to 3,034.83 - taking

under pressure, falling Fl 1.80 to Fl67.90 after Tuesday's disappointing thirdquarter results and subse-ZURICH called a halt to its string of record-setting sessions as investors judged the time was right to take profits. The SMI index eased just

11.8 to 6,708.9 as gains in Roche, UBS and Nestlé pronews. The CAC 40 index vided some support. ended 22.17 lower at 3,166.26. Roche certificates spurted SFr215 to SFr16.190 after the computer group Bull, which slipped FFr4 or 5.9 per cent European Commission gave to FFr64 as investors the go-ahead for its \$11bn digested Tuesday's disaptakeover of Corange, a pripointing results. Local brovate Bermuda company kerage CPR said it had which owns Boehringer trimmed its 1996 forecasts by

Mannheim Group, a leading medical diagnostics special ist. Persistent speculation about a change in the company's capital structure also helped the stock. Nestlé recovered from a

low of SFr2,360 to end SFr3 up at SFr2,398 as the market heard that it planned to buy Spillers Petfoods from Dal-

SMH dropped SFr17 to SFr772 as Nicolas Hayek, chief executive, dismissed rumours about problems with a Hong Kong distribu-Germany's second-largest tor, which have weighed on

February 4						
llational & Regional Merkets	Ec: Index	Day's	change points	Yield gross %	aziekt] ytd	Total netr (Ecu)
FTSE Eurotop 300	1974 62	-0 17	-7 85	2.12	0.44	1083.38
FTSE Eurolop 100	2487.16	-0.24	-5.98		-	-
FTSE Eurotoo 300 Re	nione					
300 UK	1101 48	-0 13	-1 97	296	8.63	1120 85
300 Ea-UK	1059.33	-0 17	-1.78	1.64	0 33	1062.96
300 Eurobioc	1034 C6	-0.46	-4 82	1.85	0.50	1038.48
300 Ex-Eurobicc	1136 30	+0.02	+0 28	2.30	0.39	1118.35
FTSE Eurotop 300 Sco	aomic Group					
Resources	932 11	-0.77	-7.27	298	0.50	945 60
General Industries	972.58	-0.25	-3 37	2.00	0.12	975.05
Consumer Goods	1124 71	+0 16	+183	1.63	0.13	1136.99
Services	1021.58	-0.15	-1.52	2.29	1.00	1030.55
InRites	1155.56	-C.03	-0.01	251	1 84	1171.72
Financials	1165.85	-0.17	-2.04	2.05	0.14	1172.80

This announcement appears as a matter of record only.



USD 1,000,000,000 **Multicurrency Revolving and Term Facilities**

Debt provided by

Bayerische Landesbank Girozentrale Bayerische Vereinsbank AG Daimler-Benz Coordination Center S.A. DG BANK Deutsche Genossenschaftsbank Dresdner Bank Aktiengesellschaft Kreditanstalt für Wiederaufbau



December 1997

ended weaker as sentiment made its market de towards gold stocks Monday, closed R2 l remained poor after recent R31.50.

MEXICO CITY rebounded profits following yesterday's

from early profit-taking to setbacks for Asian markets.

falls in the bullion price. Although the gold price

Shares in Johannesburg the day. Gold Field

financial stocks fa

Jo'burg dips on golds

rallied from Tuesday's provide any support on a \$295.20 fix to \$297.45, gold lacklustre day and the allstocks continued to slide, share index ended 62.7

	Markets
	FTSE Eurotop 300 FTSE Eurotop 100
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Rupiah rise fails to slow falls

ASIA PACIFIC

Sharp falls in index beavyweights Telkom and Indosat sent JAKARTA 3.1 per cent lower. The decline came in spite

of advances in most other blue chips and second liners in response to the rise in the ruplah against the dollar. The composite index closed 16.86 lower at 519.93.

Brokers said that arbitrageurs dumped Telkom and Indosat, which both have foreign listings. But the stronger ruplah and a better outlook for

interest rates sent the banking sector up. Telkom lost Rp575 or 11.5 per cent to Rp4.415 and Indosat feli Rp2,000 or 11.4

per cent to Rp15,500. TOKYO remained directionless yesterday, as the market waited for US economic data and a clearer idea of future Japanese policy changes, writes Paul

Abrahams in Tokyo. The Nikkei 225 average fell 140.36 to close at 16,882.62 in thin trading of just 395m shares; the range for the day was 17.073 to 16.795.

The sell-off was broadbased. The Topix index of all



first section shares fell 9.22 to 1,270.18 with 744 stocks down. 399 up and 146 unchanged.

Yasuda Trust, the troubled trust bank, rose 7 per cent cent to Y256 on confirmation that Fuji Bank planned to increase its stake to 20 per cent and would appoint a vice-president as chairman.

Yasuda's shares have made an astonishing recovery since November when they plunged to just Y79. Fuji Bank, which is part of the same business grouping, fell Y5 or 0.6 per cent to

The paper sector was the

up 2.1 per cent. Oji Paper, the country's biggest manufacturer, rose 3.3 per cent to Y594. Oji announced it was increasing its stake in Chiyoda Container, the fifth largest maker of cardboard. from 20 per cent to 33.7 per Oii has scored a remarkable re-rating since January

13, with its shares up 47 per The sector has benefited from the yen's recent Selyu, the retail and hotels group, reacted positively to confirmation it was planning

to sell its Inter-Continental hotel chain. The shares, which have fallen from Y1.100 in January last year, rose Y25 to 2,042.14. Y505. News Seiyu was selling its stake in Family Mart

came after the market had In Osaka, the OSE index rose 99 points to 16,867 in turnover of 23m. HONG KONG saw further

profit-taking after Monday's at 690.66. 14.3 per cent surge and the Hang Seng index fell 222.90 or 2.1 per cent to 10,302.61. Analysts noted that the index jumped 179 points at index finished 2.93 weaker at mid-morning on lower inter- 547.28.

east Asian currencies before it turned back to end at its day's low. Turnover dipped to HK\$11.1bn. Sun Hung Kai Properties'

33 per cent cut in prices of the apartments at its Symphony Bay project dampened sentiment. Sun Hung Kai shares closed 60 pfg lower at HK\$48, after a brief rebound brought the stock up to a day's high of HK\$50.25. Cheung Kong fell HK\$2 to

HK846.30 MANILA was another victim of profit-taking as investors sold blue chips and bought speculative issues in search of short-term profits. The composite index fell 43.74 or 2.10 per cent to

KUALA LUMPUR saw late selling as the ringgit weakened slightly, but continued foreign interest after Tuesday's 23 per cent surge enabled prices to close off their lows. The composite index finished 10.55 weaker

SEOUL edged down as foreign buying, the locomotive driving recent rallies, began to ease off. The composite

THE WINTER OLYMPICS

The Japanese city throws itself open this weekend to 2,450 competitors from 72 countries. Paul Abrahams reports

There's no business like snow business

Japan's snow country has lived on the same latitude as San Francisco, Athens and Lisbon. but the bitter weather systems that sweep east from the Asian landmass have at last carpeted the site of the most southerly winter Olympic Games with

January's belated snow-falls were the last element necessary to complete preparations for the that began in 1991 when Nagano was awarded the games at Birmingham in England.

Tasuku Tsukada, Nagano's mayor, has no doubt of the importance of these winter games, the last in the twentieth century, and the first in Asia for 26 years. When we started our bid in the 1980s, nobody had heard of Nagano. Now, Nagano city's name is known throughout the

Mr Tsukada is determined that emerge from the games not only better-known, but with its reputation enhanced. Much will depend on whether seven years of preparations will prove adequate in coping with the record 2,450 competitors from 72 countries, as well as an estimated 2.25m visitors expected to visit the Nagano region during 16 days

of the games. The way Nagano has readied itself for the games reflects the strengths and weaknesses of Japan. The strengths are immediately apparent. The most obvious is that all the sports' sites and transport infrastructure were completed on time. There was never any

1976 when many of the venues were still under construction. when the games stated. A. Moreover, the billidings put up for the games are visually impressive. This is not unexpected given the quality of much Japanese modern architecture. Among the most notable buildings is the M-Wave, a speed skating arena with capacity for 10,000 spectators

stainless steel and an 80 metre larch wood span. But while the infrastructure speaks for Japan's strengths, the country's weaknesses are also evident. Although a local messman, Soichiro Yoshida

was instrumental in conflict with each other. The bureaucrats' desire for consensus resulted in frustratingly slow decisionmaking. Their need to

appease local minority groups also led to some over environmental The commitment

taken to extremes. The torches used to carry the Olympic flame from Greece to Nagano were fuelled with clean-burning propane gas, rather than the usual mixture which gave off more smoke. The problem was that the new propane torches repeatedly went out, much to the runners' consternation. The torch fiasco would have been embarrassing enough, but the commitment to the environment of Makoto Kobayashi, director general of

the Nagano Olympic Committee (Naoc), appeared at times to

for Nacano, it was Japan's notorious bureaucrats who took over planning the games. apanese manufacturing techniques may be the envy of the world, but its technocratic bureaucracy is one of Japan's iser achievements.

Raising private finance has proved particularly difficult. This was not a problem for the Sapporo games in 1972 when the everything. But this time, seven years of economic hardship meant that contributions were required from the private sector. The bureaucrats' lack of commercial savvy became rapidly apparent, with sponsorship arriving late, below budget and with companies in

> IN THIS SURVEY avoid confrontation and Financing the games; local economy, farcical scenes, particularly Sponsorship; TV coverage; the two Olympics;

to the environment of the Nagano Olympic was laudable, but often take precedence over the main purpose of the games - sport. The three goals of the games. set out by Mr Kobayashi, a Tokyo-based life-time bureaucrat, were "Participation of children", "Festival of peace and friendship" and "Homage to nature". Staging a successful sporting event was not included

> stated Olympic goals. The most notable example of the clash between sport and nature was an extraordinary dispute over the length of the

among Mr Kobayashi's publicly-

The fight to host the games; high technology; the environment; profile - speed skating Page 6 Profile - selecting new Olympic events; curling;

> that extending the course meant it would run through a national park, causing considerable Although more than 160,000 recreational skiers already used the same run every year, no new buildings were to be constructed (Mr Hodler even offered to build

the starting gate out of snow),

and despite the fact that the 70

downhill ski run. The

International Ski Federation

president, Marc Hodler, argued

that the proposed run was too

short. But Mr Kobayashi said

racers would use the run only four times each, Mr Kobayashi remained unmoved. His counterproposal was that recreational skiers would be banned too. Mr Hodler warned that if this happened he would ban all

skiing at the games. Mr Kobayashi, for his part, threatened to resign as director general of Naoc if the start was moved higher. The whole argument was over a mere 120 vertical metres and probably less than 15 seconds of race time. In the end, a compromise

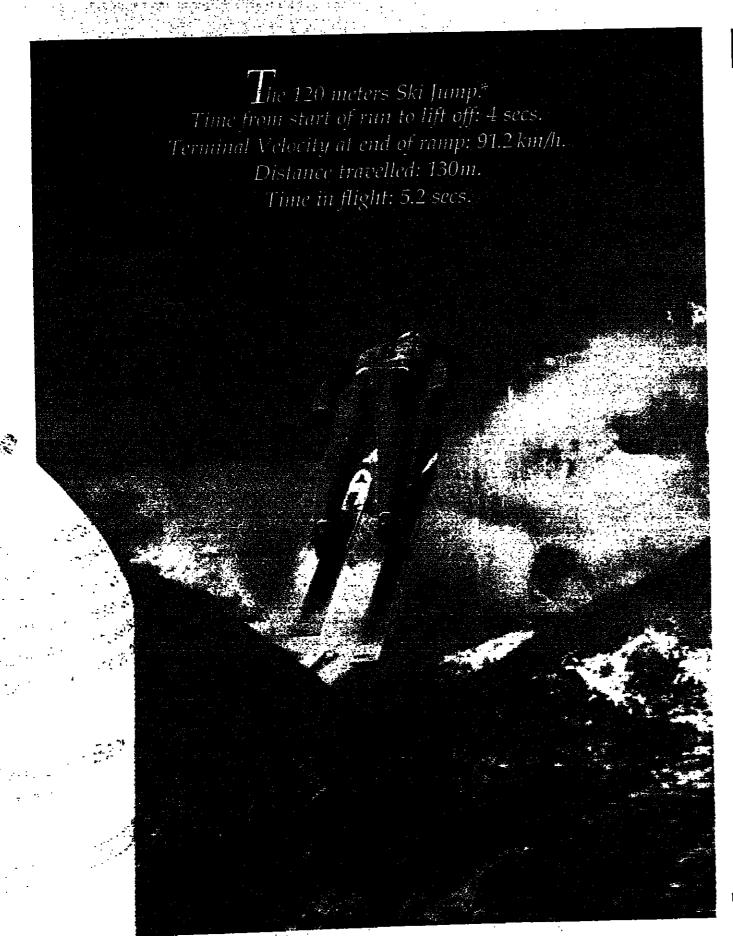
iust 35 metres below Mr oreferred start. Mr Kobayashi's intransigence seems all the more extraordinary given that almost no fuss was made about the huge environmental damage caused by the construction of two expressways and the "Shinkansen" bullet train from

Tokyo which cost a staggering Y603b. Despite such investment, transport remains the biggest concern for the Olympics. according to Naokichi Nishimura, deputy director of Naoc. At the best of times, Nagano City's roads are

congested. The routes leading up

to many of the events are single

lane highways. Continued on page 2



DON'T TAKE CHANCES WITH YOUR SKIS ON THE WAY TO THE OLYMPIC GAMES. **WAIT UNTIL YOU** GET THERE.

Kisk is something ski jumpers are willing . to live with. Except when it comes to shipping their equipment. That's why so

many Olympic athletes this year will be shipping their equipment to Nagano, Japan with the most reliable company they know. UPS. You see, UPS has greater worldwide capabilities than any other delivery company in the world. So whether you're a small business that only occasionally does business internationally, or a huge international business like the Olympic Games, we're a company that can guarantee you delivery on time, every time. Or your money back. Next time you've got an important package to send, make sure you send it UPS. Then, just like this ski jumper, you'll have nothing to fear.



Taxpayers collect a big unwanted bill

Infrastructure and operating costs have greatly exceeded expectations

Funding and organising an Olympic Games is a challenge. The danger is that the legacy left to the host city and region is not an enhanced reputation, but rather the bitter aftertaste of a financial hangover. The Montreal games in 1976 left that city with a huge debt burden, only partially offset by the honour of having been the venue for the games.

Organising committees usually try to ensure the event at least covers its costs or even makes a surplus, such as the \$250m profit achieved by the 1984 games in Los Angeles. The task has been made much more difficult this time, however, by the economic envi-

When Magano was bidding for the Olympics during the 1980s, Japan was at the peak of its economic power. Speciacular promises were made to beat off competure sites, including an offer to pay all the expenses of the

given the games, was also the peak of

Japan's so-called bubble economy. The subsequent economic malaise and the appreciation of the yen - which cut into the value of international broadcasting rights - forced the authorities to reduce their offer to athletes from entire expenses to just \$1,000 each.

Even though Japan is financially stretched, the operating costs, the cost of constructing the sports facilities and the infrastructure costs have all far exceeded initial expectations. The operating costs of the games

have been borne by the Nagano Organising Committee (NAOC) and by March last year it had become apparent the initial budget of Y94.5bp would be exceeded. Improved telecommunications and broadcasting systems, for example, were considered necessary, and cost an additional Y8.5bn. "Telecoms are a very sensitive issue and we had to have the best system for delivering results and information. That increased the development costs. As for the international broadcast centre, we reckoned there would be about 1.3m spectators actually watching the games live here in Nagano, but billions worldwide on television, so we needed to have really good signals," Naokichi Alas, 1991, the year Nagano was Nishimura, deputy director of Naoc,

"But the revenues have increased, so we can cover the increased budget," insists Mr Nishimura. Television rights will raise about Y34.6bn - higher than originally expected. CBS, the US broadcaster, paid \$375m for the US rights, the European Broadcast Union paid \$72m. while an NHK led consertium purchased the Japanese rights for about \$37.5m. In all. \$513m was raised. with 60 per cent going to NAOC.

Other revenues included ticket sales of Y7.2bn and sponsorship at Y28.1bn itself something of a disappointment. It had been hoped that sponsorship would raise as much as Y32bn but the economic malaise gripping Japan put off many local sponsor

The extraordinary fall in the value of the dollar against the yen during the 1990s, which reduced the value of international broadcasting rights, has been a further problem. Overall, about 40 per cent of revenues had been expected to come from everseas. NAOC decided to avoid further exposure to currency uncertainty by hedging its dollar income at Y115 to the dollar.

Despite higher than expected television income, and an additional Y21bn in revenues from lotteries and other sources, the regional government has been obliged to ride to NAOC's rescue,

paying Y12.1bn in subsidies.

The prefecture has had to take on a heavy financial burden in order to heat the games. In particular, it has been obliged to shoulder some of the cost of transport infrastructure. Its debts have increased from Y900bn four uses here. increased from Y900bn four years ago to Y1,300bn, a vast sum given its annual revenues of about Y1,000bn, according to Hidehiko Arai, deputy director of the Olympics division at the

Nagano prefectorial government.

Nagano city's debts have also increased markedly to pay for aports facilities. Tasuku Tsukada, mayor of Nagano city, admits costs were Ylobn higher than expected, at Y86.6bn. This was partly because it was decided to buy land adjoining the sports facilities so that better landscaping could be schized The addition of events such achieved. The addition of events such as snow-bearding also added to costs. The city shared the Y86.6bn costs of the sports facilities with the prefecture

and national government. The latter paid 50 per cent, with the city and prefecture contributing 25 per cent each, says Mr Tsukada. To find the required Y23.2bn, the city used Y4.5hn in cash and borrowed Y17.7bn, That ought its debt to Y189hn, a consider able amount given the city's annual revenues are just Y130bn.

Considerable efforts have been made to minimise the sect of future mainte-nance, says Mr Taukada. Two skating rinks will be converted after the games frinks will be converted after the games for use as a swimming pool and as a convention facility. Mr Tsukada hopes the bobsleigh and luge track, which will cost Y290m a year to maintain, will be used in future competitions.

The main danger for both the city

and the prefecture is that the Nagano regional economy - which has proved hitherto almost immune to the economic recession gripping Japan = hegins to slow.

Isamu Hirao, research officer at the Nagano Economic Research institute, estimates that the city normally spends about Y40bn annually on construction projects, but that in the run up to the Olympics this increased to about Y85bn. The danger is that after the Olympics there will be an economic downturn in the region that would hit the city's and prefecture's tax revetecture will be able to bay down the fecture will be spire to bay down the strength of the constituent said in local specific could be significant said in local specific could be significant said projects occur, few believe the city and prenues. "So far it hear! Hirad.

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principal on its debt. Mr Hirao believes the national government will take responsibility for paying back the bonds issued. "The mayor was elected last year on the promise that there would be no tax increases. The national government will deal with the problem, he argues.

Fortunately, the prefecture and the city did not have to bear the brunt of the cost of the shinkonsen bullet train that now links Nagano with Tokyo. Betinates of its cost vary, ranging between Y603hn to Y813hn. Whatever its true cost, the 12 tunnels running 63km were expensive and the line is fall Not Mill the city have to bak the nulified A Sect to cover its cost of cabi-Agitebu Wir Visi estimates mas abeut on

the expresswate On conservative estimates the shinkonservative estimates the annessways Yeijebn, the sports facilities Yeen and Nage's operating costs Yi03bn, making a grand total of Yi,398bn.

That is rather more than the Y332bn

the Nagano bidding committee told the International Olympic Committee in 1988 that it would cost to stage the games. Fortunately for Nagano prefecture's residents, most will be covered by the national government, and the

LOCAL ECONOMY • by Gillian Tett

Risk of a post-party headache

The end of the boom period may bring the region to earth with a bump

During the past few years Nagano has been enjoying an economic party. As the games have loomed, companies have scrambled to build infrastructure – delivering a startling boost to the region's growth rates.

This summer, though, it could be heading for a hange the economy in recent years. over. Though hosting the games could, in theory, prochallenge. And in the short term, there is a real risk that the recent boom could soon

The danger is particularly ously favoured regions. Stuck in the middle of the country's central island of some Y252bn. Honshu, it has the distinction of being the only province which has no coastline.

in the past its economy has essentially revolved around two main elements. In the south it has a concentration of high technology industries such as precision engineering and computers. These include well-known husiness names such as imply a downturn. Epson, Suzuki, Sanyo Electronics and Kao. But in the north - the area which will host the Olympics - the the new infrastructure will economy relies heavily on tourism, and in particular sports such as skiing, walking and golf.

in recent years manufacturing has enjoyed relatively mixed fortunes, this has national economy Tourism. meanwhile, has showed only slow growth. But the realboom has come from another source - construction, which tourism, since Tokyo is now projects ahead of the Olymvic Games

In 1995, the last data available, construction output grew some 10 per cent to account for 15 per cent of gross domestic product for about the same as services). Real estate, another ker benboom, rose some 7.3 per cent. Services, including tourism, by contrast, expanded only 0.9 per cent.

This construction boom has made Nagano something of an exception: in the rest turn since the collapse of the 1980's property and asset bubble. And the impact of this building boom is clear cent, compared to an annual average of 2 per cent (and a

mere I per cept in Takyo) But this boom is already running out of steam. As Isamu Hirao, research officer Research Institute says: "In the new infrastructure is 1996 and 1997 the construction (growth) came to an end-- for Nagano the bubble col-

And with the construction sector having created an another of Japan's expensive of orders that other compaestimated 297,000 jobs in white elephants. The next nics have been coping with recent years, this is alarm- few years could be crucial.

ing many local businesses. As Susumu Yokoyama, president of Nagano Chamber of Commerce and Industry says: "The construction sector is very worrled about the future after the games. There is a lot of concern."

Trying to assess just how big any downturn might be is difficult, since measuring the impact of the games in the first place is very tricky. But Mr Hirao estimates from his own calculations that the Olympics have probably

He has reached these figures by estimating that the vide a longer-term boost to construction of the transport the region's economy, realis- and sports venues alone put ing the benefits will be a some Y1,362bn into the economy. But on top of this, the related knock-on effect on other industries is believed to have added some Y709bn worth of production. The acute because Nagano is not additional consumption that one of Japan's most obvi- will be derived from the games is an extra boom; he estimates this will total

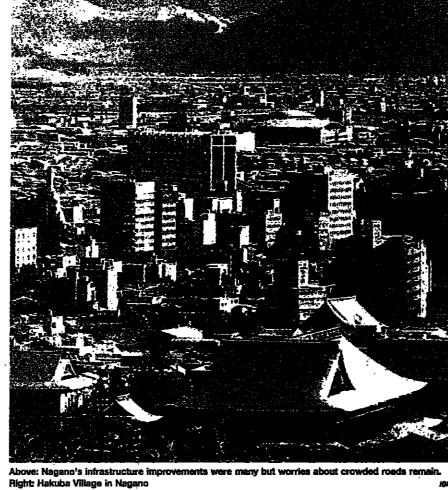
> The Nagano prefecture government is more cautious. They expect that if 1.5m visitors arrive Nagano during the games, their total consumption will be only slightly over Y72bn, using conservative estimates. But either way, one thing is clear; if all this spending is now taken away, it would

liagano's leaders retort that this should be offset by the longer term boost that provide. They hope, for example, to use the Olympic venues to attract more conferences and sporting events. The games themselves have made the area better known internationally. And the new largely echoed those of the transport links have increased the economic catchment area. This could attract more business and also deliver a big boost to has been surging as a result a mere 90 minutes away. "The area should become a mecca of winter sports," Mr Hurao argues.

But drawing the benefits from this will not be easy. Japan's overall economy is currently stagment. The skiing industry is in itself in decline. As Mr Yokoyama says: "It is becoming more eficiary of the Olympic difficult to run a ski resort. The reason is that the number of people who ski is declining."

And even the new rail link might have some drawbacks. "There are real fears that demand will got sucked of Japan the construction along the shinkunsen to sector has been in a down- Tokyo," says Mr Hirao, Inparticular, the risk is that shoppers may now start travelling to the capital to a time when construction spend their money, instead in 1995 the area's overall of consuming at home, "It is economy expanded by 4.5 per - a difficult process and tricky - with the after-effects of the to model and so we don't collapse of the bubble econreally know who will be the winners and losers."

Nevertheless, what is clear is that the challenges focing the government and local used effectively, it will ceryears. But if not, it could end up looking like yet



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INFRASTRUCTURE . by Bethan Hutton



numents to better times

The new facilities were planned in a much more favourable

economic climate

When Nagano was bidding for the winter Olympics at the start of this decade. Japan's economic bubble had not yet burst. Extravagant construction projects were proliferating elsewhere around Japan, so the idea of building several Olympicstandard sports venues in a city of 360,000 people did not seem strapge. More than seven years later much has changed in Japan.

Olympic-related spending, particularly on construction, has boosted Nagano's economy for the last few years, at companies elsewhere in Japan have been struggling omy in Nagano prefecture, about 300,000 jobs have been created in the construction industry over the past decade. In sharp contrast, at the Nagano Economic businesses now are huge. If three listed construction companies elsewhere in Japan filed for bankruptcy tainly give Nagano a compet- last year and countless itive edge in the coming smaller ones went the same way. The Olympics builders are now facing the same lack

since 1991.

payers has also changed: they have become aware of the waste of public money during the bubble years, and now are more likely to protest at shiny monuments to municipal pride. In Nagano, the backlash has led to pressure on the local organising committee to reduce the scale of some construction projects in order to lower the initial cost to taxpayers and cut maintenance costs later on. Despite pressure to keep costs down, however, the Olympic budget has expanded from Y94.5bn to at least Y103bn.

The "Big Hat" ice hockey stadium, for example, has ended up much smaller than was promised at the time of the original Olympic bid, largely because of concerns over maintenance costs. It has seating for just over 8.000 people, plus standing room for nearly 2,000, rather than the total of 12,000 seats originally planned.

This may suit local budgets better, but has angered international sports organisations and Olympic committee members. It also means that fewer tickets are available for some of the most popular events, and ticket quotas for Japanese residents have borne the brunt of the cuts - another source of complaints.

asked about how much use service between Tokyo and gested," said one official, ter.

The mood of Japanese tax- so many large sporting venues will get in a provincial city once the Olympics have finished. It is unlikely that a city such as Nagano would have spent Y33,7bn on the M-Wave speed-skating arena under normal circumstances, and difficult to imagine that it will be fully utilised after the event unless Nagano succeeds in attracting regular international winter sports meet-

The Aqua Wing develop-

ment, costing Y8.4bn, will hold up to 6,000 spectators for ice hockey matches during the games and will be turned into a municipal swimming pool with seating for 2,000 afterwards. The Y9.5bn stadium for the opening ceremony, with its distinctive petal-like curved seating segments, is to hecome a baseball stadium. Others are simply designated as "multi-purpose"

On one point, however, there can be no complaints. Unlike some other Olympics. all the venues were completed in good time. The final one, Aqua Wing, was finished in September last year, leaving plenty of time to prepare the ice rink for

A more immediate worry is the transport situation during the games. A new Questions are also being shinkansen "bullet train"

fanfares in October. The service has cut travelling time from Tokyo to a minimum of 79 minutes, and an average of 98 minutes, which is a big improvement on the previous minimum of two hours and 40 minutes. The time savings did not come cheaply, however the project cost Y840bn. And the mountainous geography: ground Nagano meant that more than half of the new

stretch of track had to run

through tunnels, adding to

the cost.

Nagano was opened to great

But trains and the expressway from Tokyo deliver people to the centre of Nagano city, while many of the main events and accommodation are in outlying villages and resort areas. Apart from one Olympic highway -which was itself controversial because of ballooning costs - most of the local roads in and around Nagano are largely unimproved. They are frequently congested during the normal ski season and during winter sporting events much smaller in scale than the Olympic Games so serious traffic lams during the

possibility. "Traffic is the biggest concern, especially in winter, when the conditions are not stable. We are concerned that it could be very con-

Olympic formight are a real

Local residents are being asked to stay off the roads as much as possible, to bring traffic volume down by around 30 per cent to the usual Sunday level.

A recent test exercise by the local police succeeded in reducing traffic volume by only 15 per cent, however. And with up to 25m visitors expected during the Olympic period - almost seven times the local population - simple restraint on the part of Nagano drivers will not be enough to prevent traffic congestion, if not chaos. Even the new shinkensen

may not be able to cope with demand during the Olympic period. The track and platforms have been designed for eight-carriage trains. seating 630 passengers, rather than the I4-carriage models used on main shin. kansen lines elsewhere in Japan. Reservable seats for the day of the opening ceremony have been fully year 2000. He says the city booked for weeks in has received applications advance, leading to fears of from more than 100 organiovercrowding when travel- sations for conventions with lers without seat reserva- more than 200,000 particltions, but with tickets to Olympic events, try to make

it to Nagano in time. Japanese commuters are Whether Olympic officials and visitors will be

Time for crossed fingers

Continued from page 1

Mr Nishimura hopes that appeals for residents to use public transport will help reduce traffic levels by 30 per cent during the games. But two pilot schemes showed falls in traffic voles of just 14.6 per cent and less than 10 per cent. The worst day is likely to be February 13, one of the heaviest days of competition, In the week prior to the opening ceremony, the inter-national Olympic Committee considered traffic congestion the higgest potential headache, Certainly, the delayed start of some snow-bearding championships held near Nagano last year – caused by competitors being unable to reach their event augurs badly for congestion

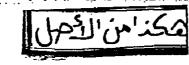
levels and running to time. The bureaucrats running the games also failed to meet their initial budgets. NAOC's budget had to be raised from Y94.5bn to Y103bn, partly because of cost over-runs and partly because the yen's recent appreciation against the dollar undermined the value of the international television rights. The sporting facilities, estimated originally at Y76bn, eventually cost Y86.6bn. The costs of these will be covered half by the national government, 25 per cent by the prefecture

and 25 per cent by the city. Nagano city has had to take on additional debts of Y17.7bn, raising its overall liabilities to Y180bn, 1.38 times its normal income, according to Mr Tsukada. As for the prefecture, its debts are now Y1,300bp, up Y500bn on four years ago. That com-pares with usual revenues of Y1.000bb a year. However, it is widely expected that the national government will take charge of the bonds ture to pay for the games.

Despite the high costs of the games, their benefits for Nagano and the region are not in dispute, While the country as a whole has been mired by an economic slowdown since 1991, Nagano has posted above trend growth. infrastructure spending has had a huge impact on the economy, according to isamu Hirao, research officer at the Nagano Economic Research Institute, Between 1966 and 1966, the games will have helped create 297,000

jobs, he claims. As for the future, the ragion will have much improved transport and telecommunications infrastructure. Mr Tsukada expects the region to become a significant centre for sports and conferences. Already the world speed skating championships are booked for the

If the next 16 days can pass without a hig security incident, without significant accustomed to rush-hour technological problems, and trains packed to more without bad delays caused then 200 per cent capacity. by traffic, then the scene is set for a spectacular sporting event one that should as tolerant is another mat enhance Nagano's fame and reputation.



Time

Crosse

for

SPONSORSHIP . by Gillian Tett

Brands edge out local fare

Big international sponsors are elbowing out Nagano companies

When the Olympic games begin on Saturday, some Japanese may conclude that one ingredient is missing. The official venues will not be selling traditional Japa-Dese sporting fare - "onigiri" rice balls wrapped in dried seaweed and "ramen" noodles.

the US food company, is a marketing privileges accord-main sponsor of the event. Consequently, the only food that can officially be sold is hamburgers and other such US fast food delights.

The organisers argue this logo for global marketing, is simply normal Olympic. The cost of this privilege is practice but it has provoked not revealed but is thought The organisers argue this

booming, the organisers show NTT's abilities in an have seen the bill mount - international environment." and the economy falter sharply. The other is the growing enthusiasm of the international Olympic organisers for tapping into private sector backing in the aftermath of the success of recent US games.

The current system of The Nagano organisers sponsorship, which was first have been delighted by such The current system of developed after the Los Angeles games, for example,

The top rated is the "world wide" sponsorship scheme, which gives companies the right to use the Olympic

considerable local protest. to have been around \$30m Olympic sponsorship partners

Company Category

The Chois Cont Company Replace and Service S

it could turn its hands to producing rice balls itself a request it refused. "We are a hamburger company so we can't suddenly provide noodles," a spokesman says.

The row may seem trivial but it highlights a much information technology; broader tension now hanging over the games. For, as this year's event shows, sponsorship is playing an audio equipment. Samsung increasingly high profile role will produce telecommunicain the Olympics and threat- tions equipment; Time will ening to make it harder to supply magazines; UPS. reconcile the demands of delivery services; Visa, consponsors with spectators, sumer payment services; games would work in over- let alone the original "amateur" Olympic ethos.

As Hidehiko Arai, deputy director of the Olympics tiers. The lowest is a group division at Nagano Prefectural Government says: "Not having noodles or rice balls will be very strange but that is because of the sponsorship rules. In Japan we are not used to the idea of unique sponsorship rights because companies tend to act

Such problems are certainly nothing new but they have become particularly acute in Nagano, given the size of the sponsorship flowing in. On current estimates, the organisers expect to

Indeed, the Olympic organis- for most companies. And in ers even asked McDonald's if the Nagano games the list of sponsors is - unsurprisingly national companies, most of whom have been previously associated with games.

> Coca-Cola is, for example, to provide beverages; IBM, John Hancock, financial services; Kodak, photographic services: and Panasonic Olympics themselves. Xerox document, publishing services - and McDonald's, the controversial fast food.

There are also two other of "official suppliers" - in this case some 18 local Japanese companies. But the middle tier is a group of Gold sponsorship companies which have each paid Y2bn to have the right to use the Olympic logo within Japan but not worldwide. These include some Japanese groups which are relatively

new to the games. NTT, the Japanese telecommunications group, is a case in point. It has not backed a games before, but decided to take part on this

afoot in Japan: having first. Takizawa, Olympic partner made the bid back in 1991 manager says: "This is a when Japan's economy was very important chance to show NTT's abilities in an

> Mizano, the Japanese sportswear company, is another example, "We another example. decided it was natural to be at the centre of the games considering our mission to be a leading sportswear company." a spokesman said.

steps - and point out that the Gold slots were snapped divides sponsors into three up quickly. But the scheme The reason? McDonald's, ranks and offers various has been far from trouble free because the essential problem which dogs the sponsorship is that the system is built around a concept of "one sponsor per business or product cate-

> This, organisers argue, is essential to guard marketing rights. But defining categories or territories is not always easy. Samsung, for example, became embroiled in a complex battle with NTT last year over who should supply which system of mobile phones. There have been complaints that the sponsorship rights of Mizuno, the Japanese sportswear supplier, and Kirin, the beer company, have been undermined by ambush marketing by rival groups in Nagano itself. Indeed, in recent weeks local officials have been dispatched to rip down a series of posters and offending advertisements.

The sheer complexity of the scheme has deterred topped by a series of multi- some potential backers: Japan's Ministry of Post and Telecommunications, for example, was considering providing support until it discovered this might bring it into conflict with UPS. It has even sometimes undermined efforts to market the

> The Nagano Organising Committee, for example, was prevented from selling a badly-needed English language seas markets, because this would clash with sponsorship rights.

Resolving these battles has not been made any easier by culture clash: some businesses complain that the Japanese organisers have limited experience of dealing with western style marketing campaigns, let alone the legal rights.

But the problem will not end with Nagano. The sponsors' role is likely to grow. rather than recede in the coming years. And this, in turn, will leave the business backers increasingly forceful in demanding special "rights" from the games. The US organisers of the

PROFILE Japan's skiing industry

A sector overbuilt and underused

Hirotaka Miyaji, managing director of the association of Japanese sporting goods manufacturers, does not mince his words: "I think that some Japanese ski resorts will be bankrupt at the end of this season, for the first time."

Such a comment might seem startling, given the high profile which skiing wil) get this winter in Japan but they point to a painful truth. One of the ironies of the Olympic games is that they are occurring at the very moment when Japan's skiing industry is in the doldrums. The story behind this gloomy situation is essentially a microcosm of the woes that have been gripping Japan since the collapse of its infamous economic "bubble" of the

By the late 1980s a strong period of growth was under way. Millions of new skiers flocked to the slopes. Indeed, by the early 1990s it was cited at the most popular sport for teenagers, and joint most popular with tennis for those in their

twenties. Business responded according. Believing that the boom would last. companies used cheap loans from the banks to build

hundreds of new resorts and

hotels. Ski manufacturers flooded the market with equipment and travel agents developed package tours.

But in the early 1990s the economic bubble burst and consumers cut back. Sales of skis started to drop sharply, leaving the manufacturers and retailers with large unsold

inventories. The number of skiers themselves fell: although some 16.5m people in Japan are estimated still to ski, the amount of money spent per head at resorts has been falling since 1995. This has hit the industry hard. The fall in revenues

and plunging land prices left the companies, which had borrowed beavily to build the resorts in first place, facing a cash squeeze In the last year, the pain has increased. For, although Japanese banks have traditionally taken a very relaxed attitude towards bad

loans, the country's own

financial crisis is now

encouraging them to tighten credit in Hokkaido, the northern island, for example, the situation is particularly severe. Last November, Hokkaido Takushoku, one of Japan's biggest banks. collapsed with bad loans of more than Y2,000bn, a large

proportion of which were

apparently skring related. The episode has already left other banks on the island scrambling to tighten credit - which could soon lead to bankrupteies.

The prospects for any improvement do not look good. For quite apart from the weakness of Japan's economy, the sking industry also has a demographic problem: the country's population is ageing. As Susumu Yokoyama, president of Nagano Chamber of Commerce, says: "The skiing industry is in decline . . . partly because the number of young skiers

is talting." Parts of the ski industry are now fighting back. Some companies, such as the Prince hotel in Naeba, are trying to attract a new clientele by improving accommodation and catering standards, which have generally been poor in the past. As Mr Miyaji says: "Young people are travelling overseas now

because they don't want to keep paying Y1,000 for a bowl of noodles." Ski manufacturers are trying to shift their stocks of unsold skis through heavy discounting. And the

nation's ski manufacturers,

instead of going skiing,

lift operators and resort managers associations have started their first-ever joint attempts to promote skiing.

But such measures are unlikely to bear fruit rapidiy, Japan's most painful skiing battle, in other words, will not end when the Olympics are over. Japan's skiing woes might

have brought pain for Japan's ski manufacturers but they have left keen skiers celebrating. For, although Japan's slopes used to have a reputation for being overcrowded and expensive, prices are falling and some slopes now have an unusually deserted air.

Consequently, finding an attractive skiing holiday is easier than ever before and the choice is extensive. Japan currently boasts five main skiing areas, each including dozens of resorts Many are small by Western standards but some, such as Nisseko, Happo One, Zao or Shiga Kohgen, car; hold their own on the world

One way to explore this range of facilities is to take a package tour. Japan Airlines, to cite one example, runs extensive selections of all-inclusive bolidays in Hokkaido. For a resident or visitor based in Tokyo or Osaka, they can

offer a blissfully simple way to go sking for a week, or long weekend: a skier simply hops on a short

This being Japan, the logistics work like clockwork (barring any severe snowstorms at Hokkado airport.: And as a further boon, the price is falling: though weekends used to cost around Y70,000. some travel agents are now selling them for half this.

Similar packages can also be taken to the other ski areas on Honshu of Joetsu, Hakuba, Toboku or Shinetsu but these areas can also be visited just for the day or weekend from Tokyo. Gala Yuzawa, for example, is one famously easy option: the shinkansen bullet train travels right into the cable car station at the base of the resort in a mere hour and ha!! from Japan's capital.

The Olympics has brought its own boon to skiers. The new shinkansen to Nagano means that resorts in that area can be reached in two or three hours from Tokyo by train and bus - once of course, the huge traffic jams created by the games have melted away after the Olympics.

Gillian Tett

TV COVERAGE • by Michiyo Nakamoto

Skates on for viewing bonanza

The big networks have been willing to pay highly for an established ratings success

Avid fans of the popular historical drama, Tokugawa Yoshinobu, will have a difficult decision to make this Sunday night. The latest episode of the widely followed programme will be competing for attention with the Olympics figure skating competition, one of the most popular events of the winter games for Japanese viewers.

In order to ensure that its audiences do not miss out on either, NHK, the public broadcaster, will show Tokugawa Yoshinobu on its regular channel, followed by the remainder of the skating event. It will also air the Olympics skating from start to finish on its satellite channel.

For the main networks throughout the world, broadcasting the Olympic games represents an important opportunity to boost ratings and revenues. Nagano is no exception in spite of poor ticket sales. While the athletes competing for medals will set new records on snow and ice, the Nagano Olympics has set new records for broadcasting revenues.

Broadcasting rights fees have generated \$513m for the Olympic Movement, compared with \$353m at Lille-hammer. Of the total amount, the Nagano Olympic Organising Committee (Naoc) has received a substantial \$307m, double its original forecast of likely revenue. While prices in Japan are high generally, a good deal still seems to have been struck, given that the Lillehammer organisers received only \$212m four

The number of countries broadcasting the winter Olympics is up from 120 at Lillehammer in 1994 to 160 this year. In Japan. where interest is likely to be particularly high, more than 233 hours will be devoted to covering the games, three times the coverage in Norway given to the Lillehammer tripped over the television games, say the Naoc.

years ago.

In their own modest way, sacred flame. This time Japanese broadcasters are also setting trends when it comes to the Olympics. For example, this is the first time NHK and the commercial broadcasters industry association have joined to negotiate Japan's broadcasting rights fee with the Olympic Committee for the winter

Unlike in the US, where the networks compete for broadcasting rights. NHK have formed a consortium and this has negotiated Jananese broadcasting rights with the Naoc for its member broadcasters.

Although this arrangement has prevented a bidding war from driving the price up, the Japanese fee was nevertheless the third largest after the US and the European Broadcasting

among the members of the consortium, with NHK obtaining exclusive live airing rights for about half the programmes and the remainder being shared by networks belonging to the National Association of Commercial Broadcasters in

Japan (NABJ). The individual contributions to the consortium is not revealed and NHK has not disclosed the value of its investment. But given that NHK has obtained exclusive live airing rights for just under half the events, and the five key commercial stations must share the remainder among themselves, NHK seems certain to have paid the main portion of the rights fee.

Not surprisingly, it proved difficult to decide who got to air which events even in consensus-loving Japan. Negotiations over exclusive live broadcasting of speed skating, ski jump, and Nordic combined - all events for which Japan has a good chance of winning medals were particularly hard. admits Yoshikazu Kurami, director of sports news and programming at NHK.

After months of wrangling, the events were allorted to general satisfaction. By contrast, during the Atlanta Olympic games NHK and Fuji TV publicly derided each other over the live airing of a volleyball match between Japan and South Korea.

Nevertheless, commercial broadcasters are still unhappy that because the rules agreed by the consortium governing the sharing of exclusive live broadcasting rights do not apply to satellite broadcasts, NHK can also broadcast events live on its satellite channels. Until recently, satellite broadcasts were not a significant force in the market but with more than 10m house holds now subscribing to NHK's satellite services.

commercial broadcasters are increasingly finding them a threat. While NHK has agreed to refrain from broadcasting all events live, it has launched a massive publicity campaign advertising the fact that events will be Shown on its satellite chan

The situation is likely to become even more compli cated at the Sydney Olympics in 2000, since, by that time, the commercial broadand the private networks casters could also have their own satellite channels. The current agreement is therefore, likely to have to be revised in the near future. Mr Kurami concedes.

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ever, in ice skating and ice dancing, the winter games which took the television up a mountain range, and examples of how much the accommodation, which may

Precautions will be taken to prevent the excesses of the summer games

If the summer games are the Olympic movement's Hollywood blockbuster, with their massive budgets, breathless hype, overpaid megastars and huge audiences, the winter games are more like an independent foreign film: much less expensive, relatively hype-free, and often winningly charming.

The contrast between the two Olympics was explicitly illustrated by the most recent games, at Atlanta and at Lillehammer. The latier won the hearts of everyone who attended Norway's winterfest and most of those who watched, enchanted, on television. The former... well, perhaps the less said the better.

Lillehammer in 1994, and Atlanta two years later, certainly served to reinforce the impression that the winter games remain essentially truer to the original Olympic spirit, and nearer to the amateur roots of the movement founded by Pierre de

Yet, Michael Payne, commercial director of the international Olympic Committee (IOC), says it is unfair to use

summer and winter Olympics differ in character and tone. He says: "You had two was a northern Scandinavian host with no billboarding advertising presence in the city. Atlanta is a very commercial American city."

It was the overpowering presence of sponsors and other advertisers in Atlanta that left a sour taste in the mouths of Olympic traditionalists. In Nagano, fortunately, such problems are unlikely to arise, and with the next winter games going io Salt Lake City in Utah - a city much nearer to Atlanta than Lillehammer in character - the IOC intends to take special precautions to ensure a repeat of the commercial excesses of the 1996 summer games does not take place.

Yet, Mr Payne believes it is wrong to assume the winter games are always more 'Olympian' than the summer counterpart. He says the idea that the winter event represents a purer expression of the Olympic ideal is little more than a media cliché.

games presents more of a audience for the winter challenge for us in managing games is considerably while exciting, does not comthe commercial agenda because of the ski industry which is very aggressive in the placement of all of its Lillehammer and Atlanta as advertising." At the end of double the 86 countries finals, or the relays. How sites half - or all - the way

each run, for example, alpine skiers usually whip off their skis and hold them up to display the manufacturer's extremes in Lillehammer name and logo to the cam-and Atlanta. Lillehammer era. Such overt displays of commercialism are normally banned from inside the Olympic sports arena, and no doubt will be rigorously policed in Nagano.

Anyway, the distinction between amateur and professional that once marked out the winter games from the summer event is rapidly blurring. Nagano, for example, will be the first winter games to feature the millionaire ice hockey stars of the US-Canadian National Hockey League. Where basketball first trod with its Dream Team at Barcelona in 1992, ice hockey now follows.

Perhaps it is because the winter games are played out on a much smaller, more they seem more accessible. About 1.4m tickets are sold to spectators to watch the 72 sporting events of the winter Olympics, compared with the 5m-plus tickets sold for the 280 events of the summer

With fewer, less high-pro-"If anything, the winter file events, the television smaller but it is growing pare with the dramas of the fast, with 160 countries committed to broadcasting the of the summer games, such games from Nagano, almost as the 100m and 1.500m from events held in remote

feed from the Albertville Olympics in 1992, and well up on the 120 which took the feed from Lillehammer. With more countries show-

ing the games and more hours of television coverage (total Nagano coverage is expected to reach 233 hours, more than three times the previous winter games figure), more money will be received from the broadcasters. Revenues from the sale of television rights to the Nagano games will reach \$513m, compared with \$353m from Lillehammer.

However, the numbers are still dwarfed by the television income from the summer games, which stood at \$900m in Atlanta, and will rise to about \$1.3bn for the Sydney games in 2000. The smaller size of the winter event and the relatively intimate sporting stage that small number of countries worldwide that are part of the winter sports market are not the only reasons, however, why the IOC earns so much less from the sale of broadcasting rights, compared with the summer counterpart.

The "blue-riband" of the

winter games is traditionally

the men's downhill, which

main track and field events

has events with the potential to draw huge global audiences, not least because they appeal as much to women as Despite their smaller size,

the winter games are not necessarily easier to put together for the local organising committee and the IOC. "Other elements make it as difficult, if not more so. than the summer games, says Mr Payne. "You are far more exposed to challenges of the weather, for example. The sports programme often has to be moved around and changed, which is rarely the case in the summer."

It may seem obvious, but it is the weather which provides the greatest distinction between the two Olympics It is certainly the organisers greatest worry. The people of Nagano have been praying (literally) for snow in recent weeks, and the threat posed to winter events by unseasonably warm weather was underlined a few years ago when the World Skiing Champion-

a whole year because of the lack of snow. Even if the weather proves favourable, there are other huge challenges, such as organising transport to and

1.005 2,500 Countries 35 72 ships in the Spanish Pyre-35 68 nees had to be postponed for international tickets 36.539 210,000 broadcast Total TV \$8.5m \$513n Source: IOC

be relatively simple to man-

age in a big city but can

prove a buge headache at

much smaller winter resorts.

lenges face the broadcast

media, which often have to

work in extremely cold tem-

peratures at the top of a

years of experience have

enabled the television com-

panies to come to terms with

the peculiar difficulties of

broadcasting live from the

winter games but it was not

At the first televised win-

ter games, at Cortina d'Am-

pezzo in Italy in 1956, the

Olympic torch carrier

cables, extinguishing the

around, the operation is

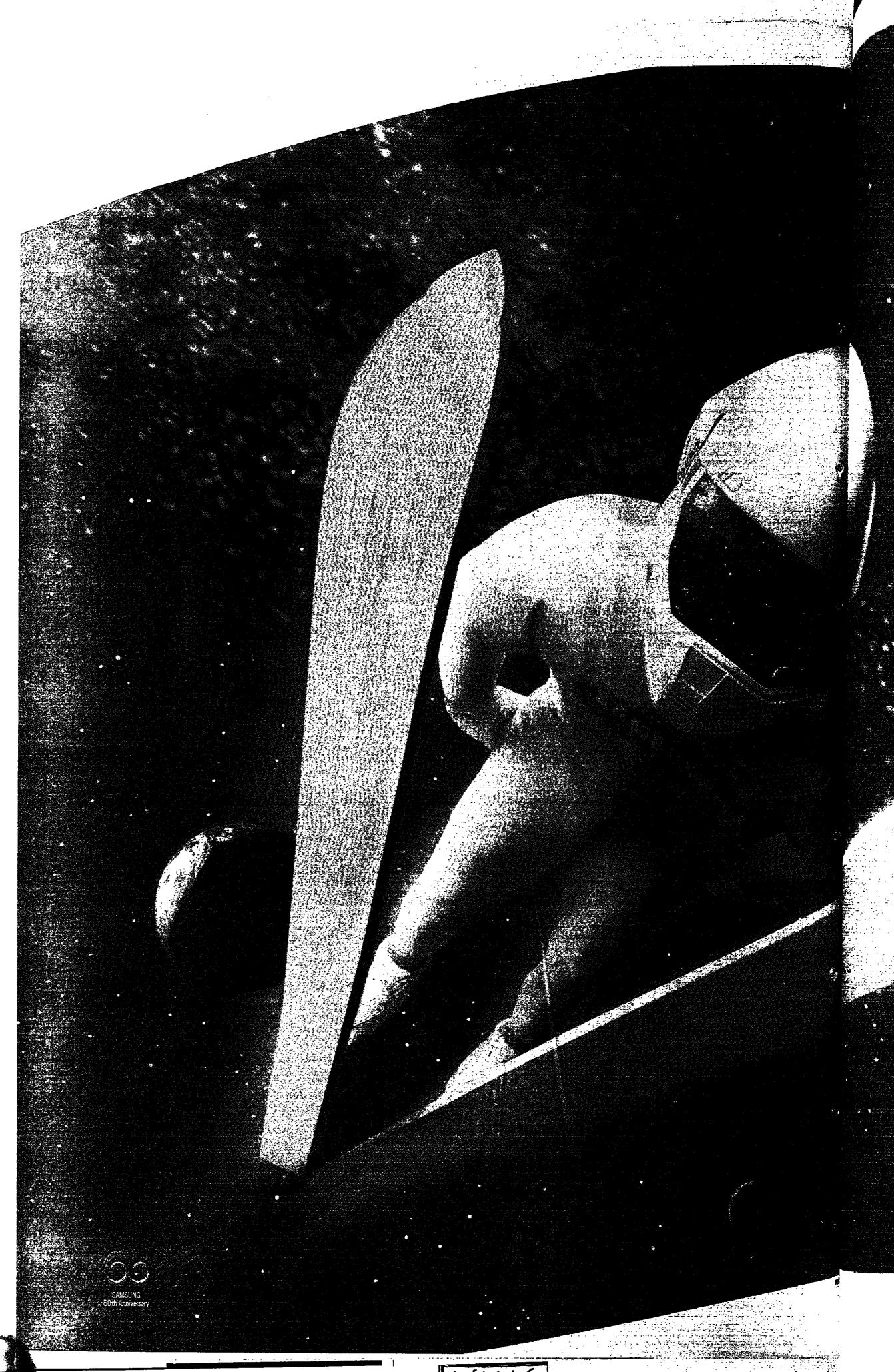
likely to prove a little

Modern technology and

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WORLDWIDE OLYMPIC PARTNER



THE FIGHT TO HOST THE GAMES • by Gillian Tett in Tokyo

Mr Yoshido sets the pace

The initiative came from local government officials and business leaders

When the International Olympic Committee (IOC) announced in 1991 they would award the 1998 Winter games to Nagano, a US official from the rival Salt Lake City contender made a stri-

We did not lose out to Nagano," he is reported to have said. "We lost out to Mr

The man in question, Soichiro Yoshida, a Nagano businessman, does not entirely agree: in keeping with traditional Japanese ethics of modesty, he insists Nagano's victory was a team

But the role played by this some wide-ranging implications. For the complex and colourful story behind the games reveals not only some of the worst aspects of US." Japan's traditional manage-

is slowly changing.

hosted the Winter Olympics in the Northern Island town of Sapporo, the question of who should organise the bid and the games themselves was clear. In Japan's postwar economy it was the bureaucrats who were in charge - and, consequently, government officials assumed the organising role without question.

But by the time Nagano first started to make its own bid in the heady days of the 1980s' "bubble" economy, the climate had shifted: the initiative for the bid came not only from local government officials, but from business

leaders as well. One of these was Yoshiaki Tsutsumi, a tycoon who runs the Scibu business group and was once named men. The other was Mr Yoshida himself, who is president of a 131-year-old group of companies that owns 70 gas stations, 40 Kentucky Fried Chicken outlets. and a Pizza Hut in Nagano. The fact that two such

entrepreneurial businessmen

was in itself a controversial matter. For in a country where business and government has often been incestuously intertwined, their involvement immediately aroused suspicions of malpractice. Indeed. Mr Tsutsumi was eventually forced to withdraw, after protests that he was trying to use the games to boost his business

But Mr Yoshida then entered the fray. The authorities Nagano appointed him as an official international lobbyist for the bid. And the English-speaking Mr Yoshida, who studied in the US, attacked the task

with zeal. "The way we made the bid was unusual for a Japanese organisation. I appointed as a kind of Mr Vagano' to promote Nagano in the international field." 50-year-old entrepreneur has he explains. "The problem in Japan is that we do not have many communicators. We

> message across like in the Mr Yoshida was certainly 200 days travelling to 80

are not used to getting the

authorities spent Y2bn promoting the bid. Almost half of the IOC committee was flown to Japan to view the potential location. And when the final selection was made in Birmingham in 1991, the delegates were overwhelmed with free sushi.

Such activities were not without controversy. In Nagano itself, the campaign provoked hostility from some local residents, who argued that environmental and community interests were being sacrificed to business greed. And Nagano's rivals which included Salt Lake City (US), Ostersund (Sweden), Aosta (Italy) and Jaca (Spain) complained that а "bubble eта" Japan was trying to "buy" the choice

But geography may have counted as much as cash. When the final vote was taken, many of the IOC admitted that they were uneasy about offering the bid to the US since Atlanta

1996 summer games. Consequently, Nagano won by a narrow victory of 46-42 over Salt Lake City.

But the controversy did not die down. Once preparations got under way, the alliance of businessmen and bureaucrats came under strain. And a series of farcical logistical hitches emerged, including the infamous dispute over the length of the downhill ski

Some local officials and residents blame this on "meddling" by business and complain that Mr Yoshida has simply used the games to further his business inter-

Mr Yoshida, though, hotly disputes this. He argues instead that the real problem was that Japan's traditional system of decision by consensus - and government by bureaucracy - was not slick. flexible or fast enough to cope with the complexities of modern sporting games.

"What happened Nagano reflects what is happening across Japan," he ment style - but provides tireless in his own communi-hints about how the country cation efforts. Between 1988 so-called 'Japan' system and 1992 he spent more than which we have had since the war. But we need to change countries, meeting all 92 it to cope with deregulation. members of the IOC commit- The real issue is that we need to get up to global stan-Meanwhile, the Nagano dards in our management

> style. "In Atlanta, the initiative came from the citizens and private sector, but here in Japan it came from local government," he adds. "I don't want to criticise the bureaucrats, but with more assistance from the private sector it could have been

better managed." It is a line which is viewed with sympathy by many in the International Olympic Committee, who have been repeatedly frustrated by a variety of logistical hitches. Whether it will be accepted by others in Japan remains

unclear.

But the battle could soon be repeated. Osaka, Japan's second largest city, is already considering making its own Olympic bid. Whether this will be successful remains far from clear. But it could yet provide another intriguing test of how much Japan is - or is not - actually changing.

Taking competition to the edge

Ask sports fans to identify the characteristics they associate with women and ice skating and they will, more than likely, talk of grace, poise and beauty - all qualities embodied by Olympic figure skating.

But there is an area in women's skating where such attributes have no be replaced by raw power and burning stamina - speed skating. The American short track speed skater Bonnie Blair, winner of five medals in three Olympics, is as unlikely to perform a double toe-loop as she is to give up her ambitions for

Conventional speed skating pits athletes against the clock, with technique the vital component of speed. Short track, by contrast, is face to face four athletes out of the "blocks" on a gun, with the winner the first past the

Short track is not pretty

but it is as exciting as the track and field events at the summer games. It is all about power and staying upright. A 500m short track race is a blur of action: the gun sounds, the competitors sprint (as far as it is possible to run on ice, in blades) for position at the first bend and spend the next 40 seconds or so trying to pass one another before lunging for the line.

History suggests two things will happen in such a race - it is most unlikely all

four racers will finish and, if it is an Olympic final, that Ms Turner will have won. Taking the 500m gold when short track skating made its Olympic debut at the 1992 Albertville games, she promptly retired. She returned to the frav for the 1994 games in Lillehammer. won again and retired ...

But, true to form, Ms-Turner is back and has her sights set on a hat-trick in Nagano. It is fair to say that she has not come this far without winning some enemies along with her medals. Short track is a close contact event, and behind every winner there is a trail of disappointed. and disgruntled.

challengers. And never more so than when that winner is Ms Turner. The American's medals from the Albertville. games marked Ms Turner as a competitor to be reckoned with at Lillehammer but when she picked up her 500m gold in Norway it came laced with vitriol. most of it from her fellow

Canada's Nathalie Lambert tussled with Ms Turner in a heat, came off worse and claimed the American was turning the event into roller derby. "It's better that I didn't look at ber after the race because I would have punched her on the nose."

Instead, Ms Lambert stuck with verbal blows, branding Ms Turner the dirtiest



skater around in the aftermath of a controversia final Trailing world record holder Zhang Yanmei of China in the final lap, Ms Turner swept past the Chinese athlete on the

outside to clinch the gold. Zhang immediately stested, claiming Toro had grabbed her leg as she ed but the victory stood. Unable to express h disgust in words. Zhang chose actions, aurning he back on Turner at the medal ceremony, throwing her

leaving the podium before the anthems finished. For her part, Turner protest and defiant against

accusations of dirty tricks. It's nothing new. tricks. The nothing new they say I'm too aggressive they re not used to someone fighting for the curns the leave to the time the leave to the curns the leave to the time the proper into their sport, bear their all and they are present, she said. I make the pass of my life. I

nonths and Fget no credit America's team leader Pat Wentland endorsed Ms ers contention that the beised pride than bodies. What Cathy did was so musical that I think Zhang was starfied to be pa remained immoved by the . . . that way. The judges saw it

to what's going on." If her rivals should have known to expect the unexpected from Ms Turner A huge but uncoached talent as a youngster in ... Hilton, New York, Ms Turner left the sport to become Niki Newland, a singer and songwriter. Unable to find herself on the road, she was treated for clinical depression in 1987 emerging to take her first medals at the Albertville games before returning to show business with the ice Capades, theatre on ice: Lillehammer rescued her when the show opted for cartoon characters rather than Olympic champions

but when the dust and giory settled down she returned to a quiet life as owner of a gyri., '

Her return to the flav. and the commitment required to become an Olympic athlete again, at 35 years old confirms what her performance four years ago has already suggested. Cathy Turner is short track skating's ultimate competitor. As she contemplates joining, or surpassing. Ms Blair's record as the American with the most Winter Olympic medals it is an impression that Ms Turner endorses.

"When I look into my heart and ask myself what I am, the answer I get is that I am an athlete," she says...

> Matthew Pettipher

HIGH-TECHNOLOGY • by Emiko Terazono in Tokyo

Emphasis is on competence

Nagano wants to avoid Atlanta's hitches, so there are back-ups for

back-up systems Although billed as the "high-tech Olympics", the true slogan for the Nagano winter games which the Games organisers secretly uphold is: "Don't repeat

Atlanta." While the sporting events at the Atlanta Games were deemed a huge success, the communication technology and transportation glitches prompted a wave of criticism from journalists, athletes

and spectators. from lnfo '98 terminals Electronic blackouts and which will also provide systems breakdowns caused a long delay in the release of competition results and other information causing confusion. At one point, the information system at has been tested and retested Atlanta - Info '96 - touted as the state-of-the-art, noted that 36 weightlifters in the 64 kilogram division had set Asian records.

The transportation probiems, where the official buses driven by volunteer drivers who often got lost and caused traffic jams were also a huge embarrassment for the Atlanta organisers. The traffic situation became so bad that the athletes were missing their events. Matters came to a head when a officials arrive at events on

hijacked a bus when their scheduled vehicle failed to

appear on time. will not be repeated. "There are back-up systems for a centralised control room. hockey arenas are put in fying the sponsors while back-up systems," says

To ensure that people place to add sound to the assuring reliability - is the Hideo Sato, deputy director remember of technology at the Nagano Olympic Committee (NAOC) who is in charge of the game results. There will be an online games results system which provides real time data and a commentator information system which will offer athletes' biographies and world and Olympic record information to sport commentators. The information can be retrieved

French and Japanese. The information system several times with a two-day session held at the end of last year. Officials are confident that the system problems of Atlanta will not be revisited. "The test went very well," said Nobuyoshi Sasagawa, NAOC's deputy

programme information and

director general in charge of technology. To avoid the transportation problems, the NAOC has put a transportation service system into place. To ensure that the athletes and group of competitors time, intra-red sensors have

been installed along the has set up 23 giant high reso- of course, want to publicise main roads and in official lution screens. Microphones their cutting edge technol-

ing of traffic information to To ensure that people place to add sound to the assuring reliability - is the remember "high-tech visionary high-technology. key.

Nagano" the organisers have High-vision digital broad- For net surfers, there is a getry. Security systems at the Olympic Village's rifle storage room will be kitted with an mis scanner. Competitors who need a rifle will. have to have their irises scanned which will then match them with those on file before opening a lock. The doping control room will from Info '98 terminals be secured with new technolnev to simplify identification transportation information hy fingerorints

Advanced technology will also be used to detect drug use, say officials, the "Doping Control" equipment will use a mass spectrometer with gas chromatography. A metalised gold quadrupole which will use the latest technology to ensure sensitivity and ability differentiate substances will be employed, they point out.

The Nagano Olympics will offer video on demand "for the first time in Olympic history," says the NAOC. Terminals will be available in various places around Nagano city and Olympic venue areas.

Matsushita, a leading electronics maker, meanwhile,

vehicles to adjust traffic sig- embedded in the ice of skat-These sorts of incidents, nals. Satellite and radio tech- ing related events including and six in both the two ice

-1990s has failed to take off can be experienced in Tokyu department store can footage of events such as skating and ski jumping. Other gadgets supplied by sponsor companies include a

high-quality video camera and slit video which uses boards by Seiko, the watch maker, watch-size mobile phones, by NTT, low energy environmentally ลกติ friendly electric vehicles by Toyota and the world's first canned motor cooling system which uses advanced ammonia evaporation technology to create high quality. ice. Tokyo Gas has created a control mechanism to adjust the Olympic Flame, which the organisers have had

trouble in keeping alight. The most difficult aspect in managing the technology for the Games, says Mr Sato, is to balance the use of new technology and those of existing ones. "The sponsors, sports programmes."

their cutting edge technology, but they may not be the most reliable and hence suitnology will belp the gather. 40 in the speed skating track able for the Games." he says.

made sure that there is no cast technology, which after wide range of web sites offer-shortage of high-tech gad- great fanfare in the early ing information of the Games, the cultural and hisamong ordinary consumers, torical background of Nagano and shopping sites Nagano. Shoppers at the for official sweatshirts and

watch live 3-D high-vision • http://www.nagano.olvmpic.org/: The official Nagano home page. The NAOC boasts quick updates of information thanks to its high speed capacity server. http://www.olymsemiconductor memory for pic.ibm.com: A site created the timing system and time and maintained by IBM, it offers basic schedules and maps and links to other web

 http://www.snowcountry. com/racers/jacoby.html: Information on snowboarding, which will appear for the first time as an Olympic competition in Nagano. • http://209.29.37.194/olympic9.html: A shopping site

for the Winter Olympic sweatshirt • http://www.jnto.go.jp/ 01whatsnew/Nagano.fld/nagano.html: Sponsored by the

Japan National Tourist Organisation, a comprehensive overview on how to go to the Games, and a list of

THE ENVIRONMENT • by Paul Abrahams in Tokyo

The bio-debatable games

The desire to pay homage to nature caused much friction between organisers

Saturday's opening ceremony. Nagano's commitment to the environment will be apparent. The doves released to symbolise peace will not be live animals. which would not survive the cold of Nagano, but will be helium-filled and made of plastic. The plastic will be bio-degradable, of course.

Nagano is rightly proud of taken to protect the environment before and during the hill. Olympics. "Homage to nature" has been one of the the strong environmental three goals set out by of Mr Makoto Kobayashi, director general of the Nagano Olym- But Washin Machida, presipic Committee (NAOC), who points out that protection of tion Union of Nagano, a the environment is in the local environmental group

Olympic charter. From the official nylon out to the environmental staff uniforms which can be successes. recycled, to the plates used by the athletes - made from environmentally friendly

The problem is that environmentalism has a cost. Besides "Homage to nature", Olympics, as set out by Mr Kobayashi, are "Participa-tion of children" and "Festival of peace and friendship." From the very start of Curiously, there is no mention of holding a successful sporting event.

Indeed, the desire to pay homage to nature has at times damaged the peace and friendship between Mr Kobayashi and the International Ski Federation (FIS). The run up to the games were marked mostly by a huge row between the NAOC director general and Marc the efforts the region has Hodler, FIS president, over the route of the men's down-

This row overshadowed record achieved by Nagano in the build-up to the games. dent of the Nature Conservawith 20,000 members, points

"Nagano prefecture is renowned for its natural rain at lizuna Kogen. It is leftover apple pulp - NAOC beauty," he says, "But it is has made every effort to be gradually being destroyed. One of the reasons Nagano tions. The newly invented through a national park. The

won the games was that the bidding committee took on board the need to have an environmental policy as part of its marketing programme so that the effects of the games on the environment were minimised." Specific examples of good

practise include: The original site of the downhill was going to be on a new skiing slope specially created at Mount Iwasuge in Shiga Kogen, near Yamanou-

chi Town. "We persuaded the bidding committee that this would damage the environment as well as the chances of Nagano winning the games. So they moved the races to existing courses," says Mr Machida." Similarly, the site of the biathlon was shifted from a location near Hakuba after goshawks and buzzards were found nesting near the course. The cross-country course there was shortened after nests were found

 The luge and bobleigh track, known as the spiral, was designed to avoid significant alterations to the terthe first in the world to incorporate two uphill secone sixtieth of the ammonia used to cool the track at the Lillehammer games.

On occasions, these environmentally inspired changes were welcomed by the athletes and sporting bodies. Chris Thorpe, the US world doubles champion, believes the second uphill section, which involves climbing 12m over a distance of 123m. made the course particularly enjoyable. "There's a lot of turns and it's fast. There are some tricky parts, but it's a lot of fun," he claims.

But despite such successes, the impact of environmentalism will be chiefly remembered for the row over the men's downhill. Marc Hodler, president of the nothing, if they want to kill. International Ski Federation, skiing here, we will go wanted the start of the away," he was quoted by course at Happo-one to be two newswires as saying. raised from 1680m to 1800m. Otherwise, he argued, the threatened to resign just were signs of erosion at the course would be too short to letes, taking only about 90 seconds compared with the

usual 1min 45secs. Mr Kobayashi disagreed. He said that locating the start of the race higher would mean the run passed

race could damage the environment and possibly ruin the habitat of one rare and one endangered butterfly.

These arguments held little weight for Mr Hodler. He explained that no buildings would be put up within the national park - the starting gate could be an igloo built of snow. Besides. why could 70 competitors race down a slope on which 160,000 recreational skiers enjoyed every year? NAOC reacted to this argument by proposing to

ban all skiing on the piste. Mr Hodler threatened to pull all skiing events from the Olympics. "We may pull out of the cames and have no skiing at all, not even jumping, not even cross-country -For his part, Mr Kobayashi three months before the challenge the Olympic ath- games if the start was moved higher.

> Mr Kobayashi and the environmental pressure groups were on shaky scien- the recreational skiers had tific grounds. The Nagano Conservation that the 70 racers would Nature Research Institute's own endanger the butterfly's habreport concluded that there itat on their four runs.

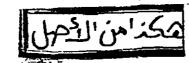


site. But it could not decide rocks and trees, but you whether the damage was could not conclude the dam caused by natural erosion. There was no evidence that

age had necessarily been caused by off-piste skiers," concedes Mr Mochida, "But there was a strong possibility that was the case. Skiing caused damage, let alone should not be allowed

In the end, the start was

There were damaged moved to the compromise height of 1765m. Although the racers will pass through a short section of the park, a jump means they will pass over another section. Mr Kobayashi, who clearly lost and was deeply humiliated, somehow failed to resign. The race was lengthened by about 10 seconds



Records fall before the games get under way

Three new events have been added to the roster taking the gold medal tally to 68

With the inclusion of earling, snowbearding and women's ice hockey to the list of sporting events at the 18th Winter Olympiad, the games are breaking records before they even

An estimated 2,400 athletes from ?? countries will compete at Nagano for 68 gold medals = a first in each category.

Estimos in 1988'

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Currently, IOC recognition is valid for a two-year trial period. After this, full recognition can be granted. The SEELEAN USE USE OF STREET IOC iscosnition is a Asinable butte to a continuity between Columbic Columptate (IOC).

Lips cutterist but the interestibar continuity between Columbic Committee (IOC) and the interestibar continuity between Columbic Committee of the interestibation of this interestibation of the ioc can find t

sporting events, save (tilbert Felli, the sports director of the IOC.

"With women's tee hockey, the world championables were monitored and found be to satisfactory. Therefore it and actual Brit in enompostaging a men was a matter of ediffit petatent men case it is a good opportunity to promote a rising sport with tremendous appeal. With ourling, interest has been grawing and we like the way it has been developing," says Mr Felli.

He says the IOC approach to selection involves a practical, rather than a business-like approach, adding that sports such as women's ice hockey and curling do pot, for the most part, generate a great deal money worldwide. "There are objective

criteria to be met. For example, a Winter Olympics sport must be played in 25 countries. Subjective criteria can include a recognition of the sport being widely played and a general appreciation for its form."

The IOC receives many requests by sporting bodies eager to attach themselves to the Olympics to reap the rewards of international exposure and an association with the world's most sporting thosement.

pigith tessured - and righte -

"Every time a new sport is accepted for a future Olympics," says Mr Felli, "development of that sport grows faster around the world and more countries become involved."

In spite of this, some pockets of resistance can develop. At first,

Scottish curlers argued that the enormous amounts of television money generated by the games would never make its way back to their sport and that curling had more to offer the Olympics than visa versa. They voted against taking part, a measure which was defeated by other countries. Ironically, curling is now the UK's best

chance for Olympic gold at Nagano Meanwhile, in moves to boost the proportion of female participants in the Sydney 2000 summer Olympics, women athletes in pentathlon, waterpole and weightlifting will be allowed to compete for medals for the first time. This will boost female participation to a record 42 per cent.

And international sporting federations representing sumo racing and body building may a been encouraged by the reas that the fold has grunted protesional is remitted for their sports. More its in the circuit IOC-recognised tederations do not currently compose in the otherpies. including golf, bowling, I alroam dancing and (ប្រវ

"The policy of the hot, is to spen the doors to all sports of carriers in under an Olympic under the "-syclich" director Framois Carrara "Recognition doesn't noversortly mean

they will go on the Ottoma. programme. And term insed falerations do total cace conflict epite to be on the Ohmque programme

Cathryn Atkinson

CURLING . by Cathryn Atkinson

Stone's throw from medals

Curling is a gliding game likened to playing billiards on a 40-metre ice table

Legends say it all began on frozen locks and pends in the lock century, when Scot-tish farmers created a gliding game to while away the long winters. With its acceptance as a fully-fledged medal sport at the Nagano Games, curling leaps into the information age - and it remains to be seen if it will reap all the benefits that can come from international

To the uninitiated, curling's sporting equipment - a
42-pound rounded, selished
granite "stope" and two
nylon-padded "brooms" are objects that hint at the
bizarre. But they cambine to create a sport that, at the international level, requires great concentration, a high-

erable physical fitness,
"It is like playing billiards
on a 40-metre table," says
Norway's Dordi Nordby, a
two-time women's world

The aim of the game is to the stone to slide along a flat stretch of ice to a target 150 feet away, Like bowls, opponents attempt to knock the rival team's stones out of the target area, Unlike bowls, team members engage in what appears to be furious formation brushing with brooms on the ice th front of the moving stone,

Team members frantically sweep the ice to reduce thistion and ease the movement of the stone, "If you are really good, you can get the stone to go about four metres farther than it would have otherwise gone," says



A team captain, or "skip", A team captain, or skip, or the noise — and away discontribute white the result mates — from the points.

called the First, the Second — Players emphasise that in this sense, curiing is very place their shets and how to much a game of strategy, sween. The captain also can like chees.

Liquously assessed the condi. — "Many things have to be the sheet" of fee. — taken into consideration durations.

The same which normally would can only eleven years.

During a game cook team member delivers four stones in eight to 10 "ends" of a game. To deliver the stone, curiers put their feet in "the hack" a two blocks get in the ice. Then, holding their up the stone, and swing it, nature the force of the swing to slide together towards a line across the ice - the point at which the stone must be released. The curlmust be released. The surf-er's team mates are responsi-ble for polishing the ice in front of the stone with their brooms, thereby making the throw glide further and in as

straight a line as possible. Points are soored when the stone enters the three-girged terget or "house", the eleser to the centre the higher the points. During its turn, the opposing team can knock a tone away from the centre

of the house - and away vision-friendly winter sports

ing a game, which normally world cup only eleven years lasts up to three hours," ago. says Douglas Dryburgh, skip

In trying to estimate the around the world — eight

of the UK men's curling appeal of the game, as well men's teams and eight womteam. "When you line up a as its future potential, one putt in golf you have a word comes to mind = Canrough idea of where its ada, When Calgary hosted lowed by Sweden and Canmany that the same is the lower of the same is the same is the same in the same is the same is the same in the same is the same in the same is the same in the same in the same is the same in the same in the same in the same is the same in the same in the same in the same is the same in the going to go and it's the same with us . . I have to keep a mental picture of the mances, the necks and crannies on the surface.

"You're trying to place the stone inch perfect. It's as demanding mentally as it is physically. It's like sitting an exam and I am fairly tired by the end." Curling has been shown as

an exhibition sport at four Olympic games - the first in the 1920s. The game's slower, more methodical pace has meant that curling has not attracted the same

taken into consideration dur- Nagano, which held its first pool after the games end.

the 1988 Olympics, curling was largely a little-known fringe sport in Canada.

Today, close to a million

amateur and professional players are involved, ensuring it surpasses in popularity other Olympic staples such as bobsledding or skijumping. During the recent Olympic trials more than 2.7m Canadians watched Sandra Schmirler's team win the women's final. Several tournaments, or "bonspiels", carry prizes of C\$100,000 (\$68.965). In contrast, the UK team was recently told it can

gold, though it was uncertain as to when the team would receive this supend.

The director of competitions for the Canadian Curling Association and a former international player, Warren Hansen, saya curling's future expansion depends largely on how world television takes to it at Nagano. He is disappointed that CBS, the American television network that won Olympic broadcasting rights for the US, has no planned coverage of curling in its current scheduling:

"For curling to reach a sta-tus like PGA, the US has got to be a part of it. The Olympic involvement is the only thing that can bring that to curling. Credibility is a problem we've had all along.

The Kazakoshi Park Arena, first used for equestrian events during the 1964 Tokyo Olympics, is the venue for curling, and will be turned into a swimming The Nagano Olympics will

feature 16 teams from ada in silver and bronze respectively. Ms Schmirler's Capadian team are the favourites for women's gold, followed by Sweden and Norway in the silver and bronze

But in many ways the possible results remain wide open. In men's curling, the Swedes are the current world champions and the Germans are the European champions. Some say the Canadian men are also the favourites. The outcome seems likely to depend on the luck of the day, in many international interest in expect £20,000 (\$33,400.00) in ways, curling itself is hoping recent decades as more telenational lottery grants to for similar luck.

The US women's team best world champion's Canada in recent exhibition games WOMEN'S ICE HOCKEY • by Paul Abrahams

Goals aplenty in Cinderella sport

The rivalry between Canada and the US will dominate the competition

When the puck gets dropped on to the ice at Nagano this weekend, all eyes will be on the men's hockey. And rightly so. This is the first Olympics in which professional stars from the north American National Hockey League will be allowed to

compete. But another hockey first will take place in Nagano. For the first time, women's hockey will be a medal event at the Olympics. The compe-tition will provide international recognition for this Cinderella sport, which officials and players hope will mark its transition from a novelty to bona fide activity.

Women's hockey has come a long way since the first women's world hockey championships, when the Canadian team wore white pants and pink, causing one newspaper to comment they looked like Dunkin Donuts staff with helmets on. The Canadians now wear the rather more traditional red and white and are playing with increasing confidence

Indeed, at an All-Star weekend in Vancouver last January, the Toronto Star newspaper said the Women's match between the US and Canada was far more thrilling than a sleep-inducing friendly event = billed as the main attraction - between male North American National Hockey League players and European counterparts. Certainly, the women's games tend to have far more goal-scoring than the men's matches even if shoot-

ing accuracy is not yet fully harder to point to a potential up to scratch, in a three-hawinner because the internation tournament last December, Canada averaged seven tional rankings have been land. The intense rivalry

between the Canadian and US teams will dominate the Olympic competition. Other teams are unlikely to get nese are said to have a good neutral zone trap, even if they lack technical skills. As for the Swedes and Japanese will at best prove practice fodder for the north Americans. At worst they could simply be embar-

True, the Finns are Europe's best team by far, cast live on US network tole.

merely competent. Although the two teams is likely to be Rauno Korpi, the Finnish a skilled encounter. Womcoach says the team will not en's nockey is far less physibe satisfied with just bronze cal than the men's game medals, the reality is they have almost zero chances against the north Americans. In the three nation tournament with the US and Canada last year, they failed to chalk up a sin-

gle victory. Until December, the Canadians were a shoo-in for the gold. Coached by Shannon full-time leave, they had won four consecutive world entire game." championships, each time condemning the Americans to the silver medal position.

Cup at Lake Placid last year, countering the Canadian's the Canadians were shut out 3.0 by the US. The hitherto invincible Canadians were humbled in their first defeat in a decade. They had never in at 170llbs. is more than suffered a shut-out and had never lost by such a wide margin. "We embarrassed ourselves, and worse, we embarrassed a country. We embarrassed Canada," lamented Stacy Wilson, the Canadian captain.

The Canadian coach Ms Miller, who had been known as "Killer Miller" as a player, was furious. The team party was cancelled, and the players obliged to take an oath not to drink alcohol over the Christmas holidays, "They can take that pain with them over Christmas, the pain of standing there on the blue-line and listening to the US anthem playing," Ms Miller told The Ottawa Citizen

The Canadians may have been unsettled by a huge row over Miller's decision to drop Angela James, traditionally one of Canada's best players. Widespread media coverage of an alleged lesbian relationship between one of the players and a member of the coaching staff also contributed to disrupted preparations.

for the defeat, it showed the Caining agrees to the notes a Canadians' domination of the world championship did not mean they had a stran- Sunday Tain Alot- Rob Nicglebold on the Olympic title beaten the Canadians again, most recently last month,

when the Americans won 43 in overtime in from of 7.784 fans, the largest ever crowd to watch a women's hockey game in the US. But the Canadians had their revenge winning 5-4 in a game - the first women's match broad-

The Olympic final between square

because body checking is

banned. "It's not that there's no contact," says Ms Miller. "There is physical play, But because there is no bodychecking, players hold the nuck longer When you know no one is going to put your head through the boards, you can move the Miller, a police woman on puck with greater intelligence. And that changes the

Nevertheless, the matches between the US and Canada have becoming increasingly But in the Three Nations physical, with the US team superior technical skills with size. For example, the American defender Angela Ruggtero, who is 5'9" and weighs cupable of using her bulk to keep out opponents.

If the US-Canadian match dues become physical, it could confirm concerns about the quality of refereeing at the Olympics. The International Ice Hockey Federation decided all the officials would be female. despite Canadian arguments that there were few women referees with the experience to deal with the pressure.

At the Three Nations Cup, for example, the US team complained about the female referees. "The refereeing in Kitchener was shaky at hist. The [Swiss] referee was in over her head and you don't want the officiating to determine the outcome of the game," said Kris Picimann. the Team USA spokesperson. "None [of the officials] had the requisite experience to handle the game and 6,000 screaming fans."

Whatever the outcome of the championships, women's hockey hopes the exposure will increase interest in the sport. At present, 25,000 women and airls play the sport in Canada, compared But whatever the reasons with Partitionmen and have Righificant problem with Women often being given the holson, vice-provident of Since then, the US has Canadian Hockey, hopes the numbers will grow to 100 day by 2000.

> While the Women's sport cannot boost the secondalous salaries of the metry game. sponsorship is beginning to become serious. 'Now, it's suonsor this and sponsor that. Before we were inst happy to get a T-sturt," says France St. Louis, the eldest member of the Canadian

SNOWBOARDING . by Fiona Graham Rebel with a touch of colour

The younger sibling of skiing could turn into one of the best spectator sports

This month a sporting rebel comes of age. Snowboarding, long seen as the anarchic younger sibling of skiing, will receive the ultimate sporting validation - its first entrance into the Olympics

The decision has delighted many in the sport, "The fact that snowboarding has made it into the Olympics is just overwhelming," says Betay Shaw, 29, a veteran snow-boarding competitor. "I never thought I would see snowbearding come this far

in my career. And it will almost certainly add a new touch of colour and drama to Nagano, and could provide some of the best spectator viewing of the games.

But fitting the unconventional world of snowboarding into the regimented Olympic universe may not be an entirely easy task. Indeed, the process of getting the sport into the games in the first place has already thrown up a cauldron of controversy.

Snowboarding has only been around since the mid-1960s, when it first emerged in the Michigan area of the US. And though the first competitions were held in Vermont in the early 1980s, the first World Cup took place as recently as 1987.

But in the last two decades it has expanded dramatically. Hanno Treindi of the International Ski Federation. for example, believes that snowboarders will outnum.

within six years, Many western resorts are already reporting that more than 50 per cent of lessons offered to sekivitera are tor enomboard-

This growth has not been without controversy. In the early days snowboarding has often reveled in its "rebel" air: while skilers were tight neon trousers, snowboarders outfitted themselves in prown and grey trousers as

And many skilers still regard them with horror. "I have been thrown off more skt areas than most people have been to " jokes Paul Graves, a professional boarder. But with the sport's con-

sumer base booming, it has started to become hig business - making it increasingly hard for the Olympics to ignore. And when applications were made to include the sport in the semes, it was accepted straight into the Olympics without going through the normal procedure of pelus a demonstration sport first.

But the rebel element has not disappeared. The sport has traditionally rallied around one main body, the International Federation of Snowboarding, (IFS). But this has recently been challonged by another group, the International Ski Federation,

(FIS.) This is because the IOC only recognises FIS, not IFS. Consequently, in the run up to the Olympics boarders were told that they must race in a FIS race to compate

in the games. Many boarders immediately mutinied: FIS, they argued. Was a skiing organization that did not understand encyboarders' needs. ber skiers on the slopes and was running inferior cir-



cuits. And feelings run almost comically high. When several leading Austrian snowboarders won the top places at the FIS world cup in Yakebitai last year, for example, they all refused to wear their medals. And Terje Haakonses, the Norwegian boarder who dazzles in the half-pipe competition recently described FIS as

being like "Capone's Chicago Mob". These problems are perhans inevitable in such a young sport, and will probably be ironed out eventually. And when it comes to the crunch, most boarders are expected to swallow their politics and turn up to the

take place.

other, making it harder to predict obvious medal win-Snowboarding competitions usually feature four events: sislom, giant sislom, half pipe and border cross. In

slalom and half-pipe will Giant slalom is a race through poles that looks much like the skiing event, with the exception that in snowboarding the gates are always set evenly to account forward (known as "regular"), and those who use the right (known as "goofy"),

hand, is closer to the look and feel of skateboarding:

Modul surfing: a snowboarder at Nacano

Nagano, though, only giant for riders that ride left foot has been split between rival

Half-pipe, on the other

as they get air off the lip of both aides of the pipe.

hi GS, the boards are an hour-glass shape and hard boots are worn to enhance the ability of the snowboarder to carve sharp turns at the gates. In half-pipe. though, fatter boards are used and soft boots worn to give greater movement in doine tricks.

The present top favourite for the GS womens event is Karine Ruby. At 20, the French student from Chamonix has more than 25 World Cup wins under her belt and tops the everall World Cup rankings. Her nearest con-tender is Heldi Repoth, an 18 year old German who is considered unlikely to win this time but could be a strong challenger in the future. The leading man in CS is

Nicolas Comte of Val Thorens in France, who is top of the World Cup rankings at the moment. But the Ausirian men cannot be dis-In the half-pipe it is even

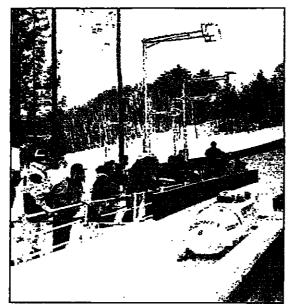
changing rapidly recently as goals a game against Finnew boarders join FIS races. The present leader - Norwegian Klas Vangan - was not even in the top 10 a short while ago. Nor was the number two, the Swede Redrik Sterner. And since the sport much of a look in. The Chicircuits recently. Other unknown contenders could well emerge. But this may be no bad

> but north American commentators view them as

thing; such uncertainty could add a welcome ele-But the controversy has the half-pipe, which is a 15m ment of suspense and colour one practical consequence: wide pipe of snow with a to the games. Rebels, after gradient of 18 degree, is simi- all, might be unnerving, But since the FIS and IFS cirin the case of snowboarding, cuits have been vying for lar to a skateboarding ramp. suzerainty, some competi- Boarders ride diagonally they look set to make some tors have barely raced each down the pipe pulling off a thrilling action.

Sporting events listed by category

W Alaine China		
■ Alpine Skiing		
Event	Date	Time
Downhill (M)	Feb 8	10:15
Combined Downhill (M)	Feb 9	10:15
Super-G (W)	Feb 10	10:15
Combined Statom (M)	Feb 11	9:30/13:00
Super-G (M)	Feb 13	10:15
Downhill (W)	Feb 14	10:15
Combined Downhill (W)	Feb 15	10:15
Combined Slalom (W)	Feb 17	9:30/13:00
Giant Slalom (M)	Feb 18	9:30/13:30
Slalom (W)	Feb 19	9:30/13:00
Giant Sialom (W)	Feb 20	9:30/13:00
Slalom (M)	Feb 21	9:30/13:00
■ Biathlon		
Event	Date	Time :
15km (W)	Feb 9	13:00
20km (M)	Feb 11	13:00
7.5km (W)	Feb 15	13:00
10km (M)	Feb 17	13:00
4 x 7.5km Relay (W)	Feb 19	13:00
4 x 7.5km Relay (M)	Feb 21	13:00
■ Bobsleigh		
Event	Date	Time
Two-man	Feb 14	15:00
Two-man	Feb 15	15:00
Four-man	Feb 20	15:00
Four-man	Feb 21	15:00
Cross-Country Ski	ing	ļ



15km Free/Pursuit (M)	Feb 14	9:00
4 x 5km Relay (W)	Feb 16	10:15
4 x 10km Relay (M)	Feb 18	10:15
30km Free (W)	Feb 20	9:00
50km Free (M)	Feb 22	9:00
Ski Jumping		
Event	Date	Time
K=90	Feb 11	9:30
K=120	Feb 15	9:30
K=120 (Team)	Feb 17	9:30
Nordic Combined		
Event	Date	Time
K=90 Individual	Feb 13	9:30

Day	Date	∏me	Draw	Sheet A	Sheet B	Sheet C	Sheet D
Sun	02/08	08:30-18:00		Official Training			
		19:00-20:00		Team Meeting			
Mon	02/09	09:00	W1	NOR/SWE	CAN/USA	GER/DEN	JPN/GBR
		14:00	M1	GER/SUI	NOR/GBR	CAN/JPN	USA/SWE
		19:00	W2	DEN/GBR	GER/JPN	SWE/USA	NOR/CAN
Tues	02/10	09:00	M2	JPN/SWE	CAN/USA	SUI/GBR	GER/NOF
		14:00	W3	GER/USA	NOR/GBR	JPN/CAN	SWE/DEN
		19:00	M3	CAN/GBR	GER/SWE	USA/NOR	SUI/JPN
Wed	02/11	09:00	W4	ÇAN/DEN	JPN/SWE	NOR/GER	GBR/USA
		14:00	M4	NOR/JPN	USA/SUI	GER/CAN	SWE/GBF
		19:00	W5	JPN/NOR	USA/DEN	CAN/GBR	GER/SWE
Thurs	02/12	09:00	M5	usavger	GBR/JPN	NOR/SWE	CAN/SUI
		14:00	W6	SWE/CAN	GBR/GER	USA/NOR	DEN/JPN
		19:00	M6	SUI/NOR	SWE/CAN	GBR/GER	JPN/USA
Fri	02/13	09:00	W7	USA/JPN	DEWNOR	GBR/\$WE	CAN/GER
		14:00	M7	GBR/USA	JPN/GER	SWE/SUI	NOR/CAN
		14:00		Womens Semi-Fi	inal		
		18:00		Mens Semi-Final			
Sun	02/15	09:00		Mens and Wome	ns Bronze Medal	Games	
		13:00		Womens Final			

9:00 9:00 9:00 9:00

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15km Individual	Feb 14	13:00
K=90 Team	Feb 19	9:30
4 x 5km Relay Team	Feb 20	13:00
■ Freestyle Skiing		
Event	Date	Time
Moguls Elimination (M,W)	Feb 8	9,30
Moguis Final (M,W) Aerials Elimination (M,W)	Feb 11	12.00
Aerials Final (M,W)	Feb 16 Feb 18	9:30 10:15
■ Snowboard		-
Event	Date	Time
Giant Slalom (M)	Feb 8	9:30/13:00
Giant Statom (W) Halfpipe Elimination (M,W)	Feb 9 Feb 12	9:30/13:00 9:30
Halfpipe Final (M,W)	Feb 12	13:30
■ Speed Skating		. :
Event	Date	Time
5000m (M)	Feb 8	15:00
500m (M)	Feb 9	16:30
500m (M)	Feb 10	16:30
3000m (L) 1500m (M)	Feb 11 Feb 12	15:00 15:00
500m (L)	Feb 13	16:30
500m (L)	Feb 14	16:30
1000m (M)	Feb 15	15:00
1500m (L)	Feb 16	15:00
10,000m (M)	Feb 17	15:00
1000m (L)	Feb 19	15:00
5000m (L)	Feb 20	15:00
Short Track Speed	Skating	
Short Track Speed S	Skating Date	Time
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Final Round C.(M)	Feb 15	13:45	RUS/FIN
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Semi Final (M)	Feb 20	14:45	
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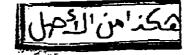
See you in Nagano for the snow.





Official Worldwide Olympic Partner





The Business of Travel

Instead of being displaced by new technology, venues are embracing it with enthusiasm.

Scheherazade Daneshkhu reports

Exhibitions still alive and kicking

Along a 5km stretch of Lisbon's Tagus riverfront, dozens of new buildings are emerging on a site dominated for years by a decaying oil refinery and stacks of disused containers. Expo 98, which opens in May, promises not only to be one of the world's largest exhibitions but also one of Europe's largest regeneration programmes at a cost of \$2bm.

a cost of \$2bn.
In an age of rapid
communication and
technological change, it may
seem curious that a concept
as apparently old-fashioned
as the exhibition has not
only survived but promises
to inject life into a moribund
urban area and act as an
economic stimulus. ICEP,
Portugal's institute for
investment, trade and
tourism, expects Expo 98 to
account for one-third of the
country's gross domestic
product this year.

Huge amounts of investment continue to be poured into the exhibitions and conferences industry. In Germany, the exhibitions capital of the world, an estimated DM8hn is being invested over four years on new venues despite slow economic recovery. Munich is to open a new centre. Frankfurt is modernising its facilities, while Hanover is setting ready for Expo 2000.

Last year, Glasgow's Scottish Exhibition and Conference Centre opened a £38m new conference auditorium.

Nor is the investment confined to Europe. In Chicago, McCormick Place, the city's exhibition and convention centre, has recently completed a \$1bn expansion, while Sydney is an emerging destination on the conference circuit as a result of the city's successful bid for the 2000 Olympics.

Gill Price, a director of the International Congress and Convention Association, says: "A few months ago I would have said that south-east Asia was doing well, too, but the situation there has changed dramatically. The conference business is increasingly dependent on the economy, and it can be easy to forget that "

The economic crises in east Asia have not only had an impact on domestic business; they will also affect conferences being held in other countries. Ms Price expects a sharp drop this year in Asian delegates attending London's QE2 conference centre, where she is commercial director.

Delegates are prepared to travel further afield to keep abreast of changes in their number of international visitors to exhibitions in the UK rose by 22 per cent compared with 1995, according to the Exhibition

Industry Federation.

This trend is good news for travel agents. Many report that conferences and exhibitions account for an increasing proportion of their business. Pre and post-conference regional towns have grown on the back of travel, often to unusual and exotic locations, with many convention programmes increasingly resembling

glossy holiday brochures.

Value for money is still the watchword. American Express, which has a conference booking programme, says that people are meeting more but are still keeping tight control on the amount they spend.

Academy Expo, a

UK-based exhibition design company; says companies want cost-effectiveness. "In the economic boom of the 1980s, most companies were commissioning custom-designed exhibition stands which would be used for a single event and then scrapped. In the recession of the early 1990s, there was a strong move towards modular reusable stands."

Now it says customers are

stands made of modular
pieces to a design specified
by the company. "This trend
provides unique-looking
custom-featured stands
while at the same time

advantages of re-usability, says Academy Expo."

Much of the investment in conferences is coming from the hotel industry, which is chasing the higher-paying business travel market in preference to tourists.

Millennium & Copthorne Hotels, which is majority-owned by the Singapore-based CDL hotels group, last year opened a £2.5m Millennium Conference Centre next to its Gloucester Hotel in

giving the budgetary

London. Stakis, the

Glasgow-based hotels group,

largest convention hotel in 2000 through a £85m development at its London

Metropole hotel.

Hotels are also becoming increasingly important partners for travel agents as airlines continue to cut commission. In November, British Airways reduced commission levels to travel agents following earlier moves by airlines in the US and in Europe by SAS, KLM and Lufthansa.

The cuts have led to hotels playing a more prominent role as a source of commission income. David Giles, until last month chairman of the the Guild of British Travel Agents' hotel working party, estimates that hotels typically account for as much as 60 per cent of travel agents' commission

income compared with 20 per cent five years ago. Radisson SAS Hotels, which says its hotels have increased their targeting of

which says its hotels have increased their targeting of the conference market, notes a sharp rise in short lead times for small conferences of 20 to 25 people: "The change is particularly noticeable in Germany, where there are companies showing economic recovery. Companies are recognising the need to increase communication in order to

prepare for growth."

Conference organisers and venues dismiss technology as a threat to the business but acknowledge its impact on the industry. Much of the investment in modernising and building new facilities is being driven by demand for use of the latest technology.

according to John Cole, corporate development director of the National Exhibition Centre in Birmingham and member of the European Major Exhibition Centres

Association (Emeca).

Ms Price says that
technology is being used by
exhibitors to demonstrate
products more effectively
than through a static
exhibition stand. She cites
the example of a recent
medical conference where a
new pump to administer
anaesthetic was
demonstrated through a live
video link-up to an operating
theatre in which the person

performing the operation also acted as commentator. Where video-conferencing is having an impact, it tends

IN THIS REVIEW

Conferences & exhibitions: Unusual locations; cruising and talking; assessing an exhibition Page 2 Opportunities for disaster, technology Page 3 Controlling costs; events clary Page 4 Regional focus Page 5

Air travel: Airport shopping; violence in the air Page 6

Hotels: Profile:
 Malmaison Page

Getting around: central
 Europe Pages 8-9

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 Page 10

Design: Philip Hunt Production Editor:

meetings. "A number of companies have their own video-conference suites so that 10 or 60 people can be linked instead of travelling to meet each other," she says. "But most people, particularly Americans, go to a conference to 'network', and video-conferencing

cannot replace that."

Mr Cole believes that talk of the internet replacing exhibitions also misses the point. The internet is a powerful marketing tool which is more likely to act as a stimulus to exhibition attendance, he says, by making it easier for someone in one continent to find out about exhibitions being beld in another part of the world.

New building and investment in the industry, while a sign of its activity and growth, also carries with it the danger of over-capacity. Competitive pressures are already taking their toll on some exhibition centres.

In the Netherlands,
Jaarbeurs Utrecht and RAI
Group, the two largest
exhibition operators, said
last month they planned to
merge. "The present role of
the Netherlands as an
exhibition, trade fair and
conference country can be
maintained in the long term
only if we join forces," they
said in a joint estatement.



Unfair challenge by no.4?

We're often actused of going over the top. But many a doughty travel manager knows the benefit of having someone on your side who is prepared to kick the rest around in order to get the right result.

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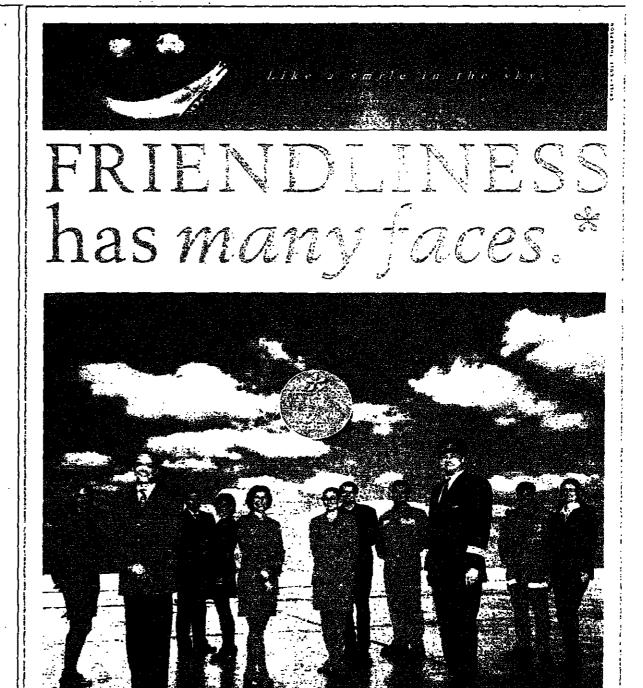
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Meetings at sea can

be made plain sailing

but, coupled with incentives,

cent of the market. The total

value to the cruise industry

between \$25m and \$40m a

Although ships may not

have enough space for the

largest conferences, Cun-

ard's QE2, for example, has a

main theatre which holds

536 people and the same

line's Royal Viking Sun can

accommodate all 740 passen-

Royal Caribbean claims

the largest meetings and

incentive sales department

in the industry, arranging

ship inspections for potential

customers and co-ordinating

add-on hotel packages if

organisers want to extend

events ashore. All its main

ships, such as the 74,000 ton

Enchantment of the Seas,

with audio visual equipment

- such as overhead slide pro-

iectors and VCRs. These cen-

tres seat up to 180 delegates

and are fitted with sliding,

soundproofed partitions that

such as Sea Cloud, built for

passengers in its salon,

How far ahead must you

charter? Cruise lines perpet-

uate a "fallacy" that you

with less than three months

serve as conference centres

gers in its show lounge.

A touch of the exotic at work

Choosing an unusual location for an otherwise routine meeting may be beneficial. Roger Bray reports

in the rain forests of central America and break-out sessions on desert islands. Audio visual equipment may be limited, and powerful distractions may lie beyond the meeting room windows but companies are increasingly choosing exotic or offbeat locations for confer-

Locations range from a disused monastery near Lisbon to the Centre Belge de la Bande Dessinée, the Brussels strip cartoon museum where delegates can thrash out serious issues amid memorabilia of Tintin and his dog, Snowy - and even a Turkish bath in Istanbul where 40 executives once held a sweaty think-tank session to work out ways of improving communications between management and junior staff.

Larger groups can opt for anything from palaces, such as Vienna's Schonbrunn, to a maintenance hanger at Munich airport. But interest wilderness hotels with no

"Demand is definitely increasing," says Graham Keene, managing director of LMG International, which arranges corporate events.

"People at the top level in business are just getting fed up with staying in large hotels. If you can provide them with a different kind of kind of facilities as a five- to \$215 per room per night opting for hidden retreats.

There may be brainstorming star hotel it allows them to work hard and encourages the team element."

A classic example, he says, is the Aravis Alpine Retreat. about 50 minutes drive from Geneva, which has been used by all sorts of celebrities seeking privacy.

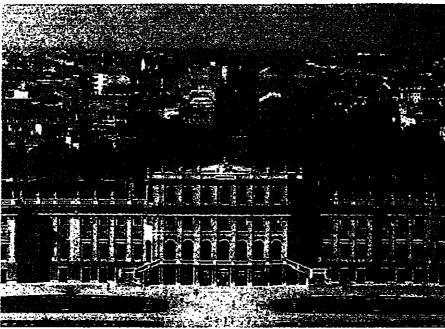
"It's a converted Savoyard farmhouse with 12 bedrooms. It has log fires and good food and you can only book it exclusively. The rooms have connections for laptop computers."

Another good example of a small property is the 14room Bear Track Inn at Glacier Bay in Alaska. Built of spruce, it has a 24ft x 30ft meeting room with overhead projection, a television monitor and secretarial services and whale sightings guaran-

On Little Cayman, which has "more iguanas than people", delegates can stay in four small hotels. One is the Little Cayman Beach Resort which has 40 rooms and an air-conditioned meetin small, concentrated meet- ing room which is a few tanings has grown sufficiently talising steps from the sea to prompt the development and some of the world's finof facilities even at remote, est diving - but has no laptop facilities.

"We see it very much as a

place for a board meeting or a brainstorming session." says Catherine Leech, regional manager of the Caymans' tourist office in the UK and Ireland. "You can also have break-out sessions on desert islands such as Owen Island, where they can organise a castaways' picvenue which offers the same nic." Rates range from \$125



and \$50 for the meeting

Among the most remote options are the Casa Corcovado Jimgle Lodge, in Costa Rica, and Canadian Quebec's Kanauk. The former, accessible only by boat, comprises seven luxury bungalows and a meeting room, with slide and video equipment and space for 20 delegates, on the edge of the Corcovado National Park rain forest. The lodge has its own supply of hydro-electric and solar power. Delegates' neighbours include large groups of jaguars, tapirs and scarlet macaws.

Guests at the latter stay in scattered cabins on a lake and meet in a larger unit. The complex is managed by Canadian Pacific, which provides catering from its Montebello Lodge between Montreal and Ottawa.

"When people want some thing unusual they also want it to be very sophisti-cated," says Josephine says Josephine Wigall-Lazarus, director of the province's tourist office

Sarah Webster, of the UK's Incentive Travel and Meetings Association, supports the premise that company directors are increasingly

"As little as three years For higger conventions, ago this concept was relatively unheard of," she says.

Munich airport offers three "It started in a very informal hangars, including one large way, when directors took enough to hold 5,000 delegates, which is used for colleagues to their own overevents such as conferences a seas apartments or villas, or booked a quiet hotel, preferdozen or more times a year. ably with a meeting room At Schloss Schonbrunn, the Viennese palace of the Habsand a gym. But today the idea of corporate bonding burgs, there is the Orangehas become firmly estabrie, a newly-equipped facility with capacity for 500 people One difficulty for many Some venues make a vir-

owners of such properties is tue out of their lack of modern equipment. The 14-bedknowing how to tap into room Castle Leslie, in these growing demands, she County Monaghan - about says. Another problem is two hours drive from Dublin that audio visual equipment may have to be especially - is a good example. It is installed. The monastery described as one of the last buildings at The Caesar Park great country houses to have been built in Ireland. Ultan Penha Longa, for example, though they are in the Bannon, one of the partners grounds of a luxury hotel who runs it, says that apart from a dedicated office, and golf course, have no which visiting executives sophisticated electronics. Nor has the 14th century can use to access the internet or send faxes "the only Corsendonk Priory at Oudconcessions we have made to Turnhout, near Antwerp, which has been converted the 20th century are lots of

steam baths have their draw-We don't have jacuzzis backs, too. They are a bit too and 47 television channels in the rooms. In fact, we don't hot for serious deliberations, have television in the rooms says Harry Fine, London representative of Istanbul-based at all - or even phones. But ground arrangement specialpeople like it because they ist MEP Destination Managefind they get a lot of work ment ~ "unless vou want a done without interruptions.

They are more accustomed called "Good; Morning to marketing soft Caribbean Honda" with news headlines breezes, tropical sunshine received from the BBC and cocktails under the stars.

than laspiring thoughts of include a short meeting as roving incrophones and sur part of an incentive trip. ring keynote specifies, but Cunard for example, says roving microphones and stir-ring keynote speeches, but cruise lines have become pure conferences are only a increasingly keen to charter small part of discussiness their ships for conferences. Meeting at sea has its detractors and its disadvanthey represent-about 10 per tages. Some conference organisers are wary of them because they fear that, ultimately, the arrangements will be taken out of their hands. The general shortage of single cabins means that, unless delegates travel with partners, the cost per person

the equation Set against that, however, are some significant pluses. Companies or associations can often obtain a fully inclusive price, and they do not have to go trawling for restaurants or clubs where delegates can be entertained at night - it is all on board.

can be a serious deterrent.

And one organiser notes:

"Seasickness can come into

There is always a doctor on board and, apart from at ports of call, there is no dangers of delegates being mug-

Maarten Tromp, director of incentive and group travel at Equity Cruises, says: You can have a conference on a ship for as few as five or as many as 2,000 people. If clients are interested we usually have to relate the ship to the level of hotel they would expect delegates to stay in otherwise they haven't got a clue what sort of luxury they can get, If it's the Four Seasons on London's Park Lane or the Victoria Jungfrau, for example, then we know they are looking for Holland America Line and upwards.

briefings for dealers with stretch from sailing ships spectacular product turer, seemingly inspired by the Vletnam war movie Apocalypse Now, requested a cruise liner captain to sail around an island so that it could airlift its new models aboard the ship by helicopter to the stirring strains of

the Ride of the Valkuries. have to stake a claim at least Len Wilcock, of conference and incentives organiser Tromp, but he negotiated Worldspan International, one seagoing conference says his company was even able to take over an unused to spare. television channel on Carnival Cruise Lines' Jubilee and run its own programme cruises lines sometimes look 436 2449).

at a particular sailing, see that it is very lightly booked. Roger Bray listens to the pros and switch the customers with cons of taking conference reservations to other dates delegates on board a cruise liner and compensate them. Of course, the cost of compensation is likely to be built into end of the day somebody has to pay for it."

What does it cost? Silversea Cruises, which chartered Silver Wind and Silver Cloud last year to companies including Eagle Star and General Motors, charges \$150,000 to \$160,000 a day or about \$520 per delegate if it fills all available berths. of these two elements is esti-mated to be anywhere as the "Rolls-Royce of cruising", with all drinks and

cocktail parties included. Further down the range he has hired a ship operated by Carnival Cruises for around \$375 per delegate per day.

Graham Andrew, conference and incentive sales manager of Cunard, quotes £800 per delegate on a sixday QE2 cruise from the UK to the Canaries and back, or £1.500 across the Atlantic -

including one-way air fare. One advantage of running conference afloat, he says, is that companies and associations can negotiate an inclusive price perhaps two to three years before the event. Mr Tromp concedes that a hotelier could do the same kind of deal, but notes: "It's unlikely you would want delegates to eat in the hotel every night, so you would almost always wind up with the total cost as an unknown quantity."

Just how much is included can be configured in a variety of theatre or schoolroom in the price varies. Instead of including drinks, some The cruise line says that if cruise lines offer them as additional packages. Royal Caribbean has one for \$42 groups charter whole ships it can re-name decks, restaurants, bars - or even small per delegate, for example. islands on the itinerary - in Cunard is considering offerhonour of a company or its ing one, but says some conproducts. You do not necesference organisers prefer not sarily need a very large to set limits on the quality of group to charter a whole veswine, for example, preferring to charge all drinks to a sin-Cunard is another line

gle account. cruise ships to combine More intimate options pare favourably with that on dry land. Mr Andrew says: "For Sea Goddess at Monte launches. One car manufact he American breakfast Carlo, for example, you cereal heiress Marjorie Post. would pay £360 per delegate. to Cunard's high-luxury Sea We compared that with a Goddess I and II, each of land-based conference paywhich has space for all 116 ing high season rack rates at one of the principality's top hotels, and adding in the price of meals, drinks and other extras - and the ship came out £80 per head a year in advance, says Mr cheaper.

The UK's Passenger Shipping Association has produced a leaflet on ships suitable for seagoing "If they get a request for a conferences and the facilities charter at fairly short notice, they provide (Tel: +44 (0)171

So, how was the show for you?

Gillian Upton reports on the merits and potential drawbacks of seeking customers through exhibitions

trying to expose to a wider deliver the right audience audience and you want to do and therefore the right numit in the most cost-effective manner, are exhibitions the right vehicle to use?

The pros and cons are many and varied. Much duration and timing of the

If you have a product you're keted, and whether it will ber of business leads.

Edinburgh-based Osprey Holidays thought long and hard before exhibiting at the Ski Show in London last November to promote its holidays in New England. The company had a clear afterwards the venture was

goal. "We wanted to increase our profile among clients and our partners overseas," says John Bennett, managing director. "It's important that our partners see us sell-

ing their product. through the internet, but we wanted to meet customers. and it was very useful for that. We didn't attempt to take bookings at the show; it was too noisy for that." It cost Osprey £6,000, and

weekends," says Mr Bennett. "Both weekends were very busy, but the five days in

into a conference hotel.

Gimmicky venues such as

between were bleak. Because we are not based Most of our bookings are in London we have to move made over the phone or the brochures by courier and pay for accommodation for two people. The Ski Show also happens when bookings are very strong, so it means taking staff out of the office when they should be answering the phone. It's a

Osprey decided to miss the next show and to take part in alternate years. "It was not written off as a wasted exercise, but for the £6,000 it cost I could have bought a lot of advertisements in newspapers where we normally advertise," says Mr Bennett. Advertising, product launches and direct mail make up the bulk of the company's promotional

It is clear from this example that participation in an exhibition should be weighed up very carefully beforehand and scrutinised closely after the event.

A spokesperson for an international investment bank says it is essential also to check the experience, background and track record of the company organising the exhibition. "I don't give companies any time if I haven't heard of them." she says, having learnt from

The bank exhibited at a show in western Europe arranged by a company she did rate. "The company had previously only ran exhibitions in eastern Europe, and although it was a British company it made no accommodation for it being a totally different marketplace. It didn't market it properly. I learnt from that. Make sure the company is tried and tested in organis-

ing similar events in the same country," she advises. The bank's preference is for conferences and semi-planning to go back to that nars. "They're much more tightly targeted and focused and it's much more cost way of reaching his customeffective than a big exhibi-

tion." she savs. Organisers bullishly sell ing. exhibitions on the basis of quality of audience and therefore access to a purchasing power. "Exhibitors worth of purchasing power." your rivals, would you?"

week show which covers two national Business Communications (IBC), which runs exhibitions alongside the conferences it organises.

hot water and central heat-

Susan Christopherson, head of global sponsorship at Euro Finance, which organises conferences and exhibitions for treasury management, underscores IBCs message. "in terms of getting to people under one roof there's no other way," she says. Banks and software suppliers are her main exhibitors.

There are variousways of making an exhibition stand successful. Gone are the the days of a solitary table, chairs and stacks of brochures. Jonathan Knowles. business development manager at Gardiner Caldwell ence and exhibition organiser in the pharmaceutical sector, says: "Companies can relay seminars to the stand through big screen technology and watch it remotely. And very seldom do we cre-ate an exhibition stand without a cyber cafe so customers can visit the company's

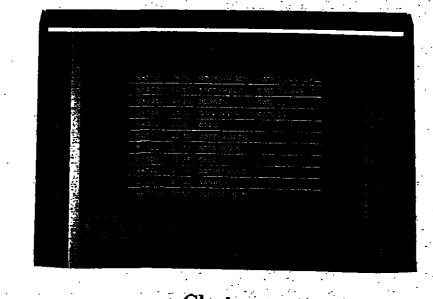
web site." The Foundation Group, a UK company which owns public houses, hotels and a restaurant, has had mixed results at the trade exhibitions its has participated in. Michael Cockman, its marketing director says: "Three years ago we took space at a travel exhibition and made 28 contacts over three days, of which eight were good contacts. But it cost us £2,000 and took us three

"Last year we went to the same show to promote our new restaurant and shared a a stand. We made 15 contacts, including three good ones. That cost us £700 and took us three days. If those three companies book good business with us, in the long term it will have been worth-

But Mr Cockman is not exhibition because he believes it is an expensive ers and is not staged at the right time for decision-mak-

"I would tend to say my money is better spent elsewhere," he says. "Think about it: if you had a lot of could spend \$2,000 on the buying power, you would exhibition and tap into \$1m not go into a bear pit with

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Conferences & exhibitions

Opportunities for disaster abound

Any meeting can easily become the 'event from hell'. Ian Hamilton Fazey highlights some of the pitfalls

staged in Manchester was

about the ante-room where

coffee was served and where

stands," one events manager

for a London financial ser-

inch too low to get our own

stand up. The regional direc-

tor was coming, and we were

sweating a bit. We managed

to squeeze it in by sawing

the feet off the vertical pan-

The location of toilets can

also disrupt events. At one

venue the "Gents" was down

two flights of stairs at the

end of a long corridor and

had only three urinals. With

short and the timetable

slipped so much that one

presentation had to be aban-

doned and question time cur-

When it comes to the con-

els. I'll never make that mis-

vices organisation says.

ard listed to furn up but fail feature of conferences, seminars and similar gatherings. Organisers expect up to 30 per cent no shows for a free event, but in one particular

. The hotel was near the M25, north of London, it had been chosen because a similar location south of the capital the year before had been packed out by extra-shows, whom no one had planned for. To avoid a similar crush the botel had been chosen for its large conference room, which could seat more

han 200. With 10 minutes to go only 18 people had strived. The organisers delayed the start. A few more people trickled in but, 30 minutes late, the conference had to begin with fewer than 40 people. Some of these had been rushed in from the organiser's own nearest offices to make the event look less emberrass-

ingly empty.

During a coffee break delegates commented on the surprising when you arrange an event for a morth London catchment area on Yom Kipone of them observed drily. The red-faced organisers, who wish to remain anonymous, have since the speaker just gets it made sure their calendar software covers bolidays and festivals for all religious. They have not made the same mistake since.

"Preparation is the key to avoiding disasters like that." says Stephanie Marshall, knows her own venue well, events at the Institute of Directors. The lob stages 24 the lob is going to stage an conferences a year, covering event. Many other confer- 120 delegates, 20-minute cofsuch subjects as family businesses, planning for growth this, relying on, for instance, and management buyouts, it hotel managers to tell them has few no shows because about facilities over the doned doned things such as the exact when quarters in central Landon, dimensions of rooms

. n. = 21° 32°



some people will usually be cause problems. "The conferlate because of travel probence room at an event we

Even the most careful OK, but we did not think preparation does not always work, however, "Speakers not turning up because they have the wrong time or date in their diaries are my biggest fear," Ms Marshall says. "We always check and check again, and confirm attendance in writing, but we still have had the odd case when wrong. We now telephone in the days before to make

She is also a firm believer in the old army adage that take again." time spent on reconnaissance is seldom wasted. She but is always very careful to ence organisers do not do fee breaks proved impossibly

chairman and whether speakers bave rehearsed and been directed on how to improve their presentations if necessary. Even simple tips can help, such as to stand on both feet all the time for easier breathing and voice projection. Leaning on the podium can also constrict the chest. Speaking notes should be moved sideways page by page and not turned over in case they catch the microphones. Notes should never be sta-

The IoD gets its conference chairmen and speakers together about a month pefore to discuss the day's objectives and ensure presentations complement each other, National Westminste Bank and the Financial exporting every autumn go for more detailed preparation, with dress rehearsals.

This is necessary for modern "edutainment", where a production company designs we and the conference's an attractive set and oper-sponsors had our exhibition ates lights, sound, music, and audio-visual effects to theatrical standards. The producer works closely with "The ceiling was half an the chairman, who is expected to perform as link-man, compere, comic, timekeeper and question master to keep the pace going and the event

> The effect can be threatened by a poorly-prepared or unrehearsed speaker - they are never invited back - or an unforeseen event, such as when Ian Campbell, directorgeneral of the Institute of Export, got stuck in a lift in a Leeds hotel and the chairman had to fill in for five minutes until Mr Campbell could be freed to make his speech. Equipment failure is also a

perpetual worry, especially as it has become increasingly sophisticated. Sets are ensions of rooms, can ference itself, most organis now made as attractive as

ers acknowledge that much affordable. Lecterns have depends on the quality of the become tastefully-designed podiums. Speakers sitting at long tables on the platform waiting their turn at the microphone are as old hat as slides, carousels and black-

> Speakers are now more likely now to walk up from the audience or in from the wings, possibly to musical accompaniment. Graphics will be computer-generated and back-projected on that if anything goes wrong,

the conference is in trouble. What all conference organ-

the start of the day," Ms Marshall says.

Some people ignore this, such as a woman in the second row of a NatWest-FT export forum in Bristol once. who defled all attempts to shut her up and talked on her phone for several min-

No one wants the Italian problem, where no-one ever switches off. At a recent conference in Rome, a member screen. It means, however, of a panel on the platform spoke on his phone while discussion went on around isers now hate is the mobile the audience on their own phone, which has introduced phones at the same time, no the prospect of uncontrolla- one turned a hair. Perhaps ble disruption into audi- they were speaking to each

Bank and the Financial Times, who stage a series of forums around Britain about Projectors still have useful lives

Technology continues to advance, but one faithful piece of equipment survives. Paul Taylor reports

sales presentations since the required.

They may not be very

to be carried is a set of trans-– and a pack-up tion. Some overhead projectors are light enough to be carried around.

The development of powerful graphics and presentational software, together producing high quality cola new lease of life, as have liquid crystal display (LCD) paneis.

According to some estimates, overhead projectors and slide projectors are still used for the vast majority of internal business presentations, although LCD, cathode ray tube (CRT) and portable digital light processing projectors are making inroads, particularly for large-scale presentations and sales nitches where image quality considerations are para-

There are two basic types of overhead projectors transmissive and reflective. Transmissive projectors have the light source (bulb) in the base of the machine, while the light source for reflective projectors is in the head of the projector.

Transmissive projectors and heavier. If you intend to use a LCD projection panel linked to a PC, a bright transmissive projector is a

If you want portability, and will be using only trans-parency film, a reflective smaller and lighter in weight

Even then, not all overhead projectors are equal. equipment. The main variables include lens quality, brightness and the projected image when using a LCD panel.

Even with an LCD, overtations. For example, for an effective presentation the room lights must be sia.
dimmed in addition, the prechanging transparencies conferencing facilities 24-manually, and image clarity hours a day since February sometimes leaves much to be desired.

medium, difficult to update rial for an electronically gen- business class return ticket.

The overhead projector and erated presentation can be the acetate transparency stored on a central server or have been the mainstay of company intranet, to be schoolroom, boardroom and downloaded and adapted as

Once loaded onto a portable PC they can then be high-tech, but overbead pro- manipulated, adjusted and jectors are versatile, cost-ef- displayed on LCD or CRT fective presentation tools data projectors. But while that are easy to use and CRT projectors usually transport. As a result, require a specialist * 1 install despite frequent predictions and set up, and are best of their imminent demise, suited to permanent installa-For the business traveller, small, lightweight LCD data provided there is an over- projectors are designed for head projector at the other mobile presentations. With end of the trip, all that needs some machines weighing less than 10lb (4.5kg), LCD copy is a sensible precau- carry around and can be set

For example, Lightware's Viewpoint projector weighs just over 9lb and yet its manufacturer claims a proprietary optical system enables with printers capable of it to project sharp, vivid images at 270 ANSI lumens our images in-house, has on any screen up to 80 given the overhead projector inches diagonal - even with the lights on.

up to use in minutes.

LCD projectors have traditionally been hampered by a limit on the level of resolu-tion they could offer, although with the latest generation of machines this is becoming less of an issue. Cost, however, is still an important factor, with LCD data projectors starting at around £5,000 and CRT models at £10,000.

However, harnessing the latest technologies can be crucial to winning hig deals. As the London-based Presenration Company notes: "In business, windows are small, opportunities enormous. You have to get it right."

The Presentation Company, whose clients include the BBC, GEC, Reuters, British Aerospace and Union vides a range of presentation are usually brighter and the services from event manage-images are typically sharper, ment through to the pro-but they tend to be larger gramming of multimedia presentations.

The company says the development of lightweight notebook PCs and LCD projectors mean that an executive can carry all the hardware required for a highquality multimedia presentaprojector is a good choice tion featuring sound, video because they tend to be and 3D graphics, as hand luggage. A few years ago, such a presentation would have required a truckload of

Some companies, particularly those in eastern Asia, lamp types. Other options are beginning to exploit viddesigned mainly for those co-conferencing as an alterusing LCD panels include native to travel altogether. built-in power outlets on the For example, the Hyatt projector and a "flip-in" Regency in Osaka, Japan, magnifier which enlarges was the first hotel to provide satellite teleconferencing facilities, and similar facilities are now available in head projectors do have limi- Hyatt hotels in Tokyo, Hong Kong, Seoul, Taipei and at the Hyatt Saujana in Malay-

The Tokyo hotel, which senter has to concentrate on has provided business video-1995, saw the number of conferences double last year to More fundamentally, an average of eight sessions transparencies are a static a month. The price of an average 1hr 45mm videoconand tailor for a specific audi- ference between Tokyo and ence starting from scratch. London or Paris is Y87,000 In contrast, the source mate- compared with Y705,000 for a



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Conferences & exhibitions

CASE STUDY Controlling expenditure at BP

Discipline brings big savings

Multinational corporations have made great strides in recent years towards controlling their travel expenditure. Typical measures are national or even international consolidation of travel agency and suppliers, enforcement of travel policy, and the introduction of a corporate payment

However, all these financial disciplines often go out of the window when it comes to conferences and training, one of the last areas of corporate expenditure to be brought under control by the procurement experts.

All too often, each department makes its own arrangements for conferences, with little or no attempt to leverage the npany's entire spend to drive better deals. Equally wasteful is the failure to consolidate conference spend with ordinary corporate travel spend

One company which discovered it was missing an opportunity to make huge savings was British Petroleum. The situation is now being remedied by Allen Grimley, who retired as the company's business procurement manager at the end of 1997 but continues to work for BP as

Having taken enormous strides to consolidate BP's annual mainstream travel spend of \$350m, for which he was recently named **Business Travel News** international travel manager of the year, Mr Grimley turned his attention to the conference

travel sector. He was horrified to find conference costs spread among so many budgets that the company had no real idea of how much it was paying for meetings. It soon became clear that an initial estimate of \$30m was closer to \$50m.

Examples of waste were legion. Mr Grimley discovered one botel where ordinary RP travellers were paving 20 per cent more than a special rate given to the company for the many conferences its staged there. He also found hotels where BP conference organisers were unwittingly paving 35 to 40 per cent above the negotiated worldwide corporate rate.

He attributes the wastage not to the incompetence of individuals but to the inevitable inefficiencles of a multinational corporation.

"The problem is the inability of companies to share information internally," he says. "It was not at all the fault of the people organising

conferences. They were not able to look at it together, and although they were doing things systematically. they were not doing them in a procurement-efficient manner."

The lack of co-ordination even extended to air travel. Airlines normally grant a discounted group rate for parties of 10 passengers or more, but Mr Grimlev discovered that individuals were frequently being left to make their own arrangements. That has been changed, and Mr Grimley expects to achieve fare savings of 10 to 15 per cent, even if the quorum qualifying for the discount start their journeys with the same airline from

different destinations. Presented with these problems, the first step Mr Grimley took was the same as for any procurement task gathering information. Before he could negotiate with suppliers he needed to know exactly bow much he had to spend with them. Mr Grimley had to poke

around many dark corners of BP before he learned the truth, but in the process he discovered that excellent places to track conference expenditure are the finance department, human resources and public relations.

Next, he installed some

organisers, starting with automatically asking a hotel whether it has a negotiated rate with BP when booking a conference

He then turned his fire on the global hotel chains, where be had identified significant amounts of business. Eventually, he concluded a deal with three of them, each of which devised a corporate package specifically for BP. These included not only an agreement on rates but extra benefits such as discounted or free leisure

Also built into the agreements was an incentive to use the chains more, with an incremental discount based on the booked. However, BP's corporate culture does not permit Mr Grimley to force the agreements on

conference organises Part of the commitment Mr Gritnley is seeking from the chains is the granting of last-room availability. With occupancy levels at record levels in many leading cities, hotels are refusing last-minute conference bookings in the belief that they can sell the rooms at a higher rate to individual travellers.

To belp secure this side of the bargain. Mr Grimley

says it is best to make one person in the hotel chain responsible for the corporate conference client That person is then charged with ensuring individual properties honour the greement concerning

availability. In return, Mr Grimley has promised geographical flexibility over hastily-arrange

conferences. If the meeting involves BP personnel from around the world, he will allow the hotel company to choose the location, as long as it guarantees to find mewhere and to find it at the agreed rate.

To complete the loop of his reforms, Mr Grimley has made one final requirement of the selected hotel chains: information. "Part of the spin-off is that the hotel companies will have to be more pro-active in tracking and reporting

back spend." he says.

BP is also set to introduce a corporate payment card will be invaluable for tracking and categorising travel expenditure. Armed with that data, do not bet against Mr Grimley extracting even better savings next year.

Amon Cohen

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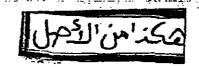
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Conferences & exhibitions

There is fierce competition among countries and even individual cities to attract money-spinning large events. Correspondents report from North America, Europe and Asia

Regions make their mark

Growth in the North [such as Chicago], and there American convention and are second-fier cities," says exhibition business has Courtney Chamberlain at slowed in recent years, although industry projections still suggest healthy expansion over the remainder of the decade. -

Moreover, dynamics of the market are also changing - with a growing distinction emerging between the very large extravaganzas and the increasingly popular and "niche market" shows shows held over the next 10 Another trend emerging is the splitting of shows between different exhibition

According to data compiled by the Bethesda-based Center for Exhibition Industry Research, the total number of shows rose to 4,336 in 1997, with about 90 per cent-of those being beld in the US and a further 10 per cent in

That represented a small decline on the number of shows held in the previous year, although the number. of people visiting grew 9 per third place after Las Vegas cent to 110m.

exhibiting companies was nue for the city, direct visiestimated at 1.26m, down tor spending and employee slightly from the 1.3m seen in the mid-1990s.

However, the CEIR points out that because some shows are held on a two or threevear cycle comparisons between individual years trade show business and is can be misleading. It also the biggest single facility in remains fairly optimistic the US, has been the subject about growth, forecasting of contention pending legisthat the number of shows. lation designed to cut the currency and financial crises

will rise to 4,781 in 2000. The CEIR anticipates that more competitive. about half the new shows. The plan was defeated in will result from regional off the state senate fast year, shoots of established events. but is expected to resurface This has already become a early this year. significant trend in the

There are first-tier cities

A significant number of the new events are likely to reflect the growth of new technologies within the commercial and industrial world generally. For example, "emerging" sectors, such as environmental technology and biotechnology, are shows held over the next 10 years, says the CEIR.

Even so, some big cities still have their eyes on the highly-lucrative "megashows" - and with good reason. In New York, for example, trade show organisers have complained about the size of the Jacob K. Javits Centre, on Manhattan's west side. At present, this ranks about 12th in the convention industry.

A study by Coopers & Lybrand last year sugge that if the centre doubled its exhibition space, taking it to and Chicago, it could gener-Meanwhile, the number of sate about \$1hn in tax reve-

But even size does not ensure a peaceful life. Chicago's vast McCormick Place, which lies at the heart of the city's \$4.7bn convention and

Nikki Tait cheaper hotels, and giving July 1997 but because hotel capacity for the 2000 Olym-



Bad news can be good news

The collapse of the Asian tiger economies may be bad news for the regional travel trade, but good news for conference organisers from fur-

ther afield. South-east Asia was until recently - one of the world's fastest growing markets for international business and leisure travel, both as a destination and as a source of customers.

In particular, intra-regional travel was starting to account for a higher proportion of the market as more south-east Asian countries joined the ranks of rapidlydeveloping economies, and their citizens developed the taste and spending power for international travel. But the labour costs and make it are now threatening that expansion.

> difficult economic conditions trins, staying in

tighter subsistence and entertainment allowances are obvious steps. Attendance at conferences and exhibitions, particularly overseas, is also too often seen as an unnecessary perk, rather than a business neces-

The long lead-time in conference planning - bookings are often made years, rather than months, ahead - means that it is too soon for the full impact of the crisis to be visible. But if the faster-reacting tourist market can give any clues, the picture is

Looking on the bright side, half-empty aircraft and vacant hotel beds should make it cheaper for non-Asian based organisations to hold events in what had increasingly been seen as an Companies suffering from expensive destination.

Hong Kong, in particular, as one of the first areas to and exhibition business to exhibition centre, due to regain strength. make economies: making Singapore, not because of open in 1999. Sydney is rapfuture after

pics, but filling the rooms room prices have got out of hand. Several large exhibi-tions which had been held in before and after the games may be more difficult than Hong Kong for the past few Tokyo has added several years are relocating to Sing-

apore this year in a cost-cutnew venues for large conferences and exhibitions over ting move decided before the the past couple of years. One economic meltdown. However, the shift away from stunning new location is the Tokyo International Forum, Hong Kong may start to reverse if Hong Kong is a huge glass building near forced to abandon pegging Tokyo Station, which opened its currency to the US dollar in late 1996, while Tokyo Big or continuing lack of busi-Sight, an unusual-looking ness pushes hotels into lowexhibition centre in a developing area of Tokyo's dockering their rates. Additionally, at a time lands, has proved a popular location for trade shows. when visitor numbers are

likely to go into at least

short-term decline, there is a

possible glut of new hotel

rooms and large-scale ven-

already well-served with con-

ference and exhibition ven-

Singapore, which

Japan's higher hotel rates and air fares still deter many conference and exhibition organisers aiming at a broad ues in the Asia-Pacific international market, how-

Bargain-hunting organisers with dollar-demoninated budgets look set for a good ues, has just started con- time as the region's econooften choose business travel has been losing conference struction of a vast new mies and currencies try to

Bethan Hutton national business language.

Glamour alone is not enough

Britain's fashionable new the professionalism of its tag, Cool Britannia, is doing conference organisers, and wonders to strengthen the country's position as a trend-setting nation where go to clinch deals and do

business. For years Britain has taken second place to the US for hosting international association conferences, - the latest available - from ICCA (the International Congress and Convention Association). But there are high hopes that the UK will have clinched the top slot when the statistics for 1997 are analysed later this year.

London is already top dog in Europe, according to figures from the UIA (Union of International Associations). with Paris at its heels in second position.

But a more worrying picture comes from the ICCA figures [the two organisa-tions use different criteria] which put London in 15th position, compared with a laudable third slot only four years ago (Edinburgh lies in 12th place). So what has happened to Cool Britannia's capital city? The likes of Copenhagen, Vienna, Budapest, Barcelona and even Jerusalem are stealing its thunder.

Vienna has always been a rival but is now promoting itself more strongly. Budapest sells itself on its heauty and much cheaper hotel accommodation. Similarly, Barcelona is a fashionable destination and has good facilities and hotels since the massive building spree for the 1992 Olympics. Jerusa-ings such as Westminster the 1992 Olympics. Jerusalem is a mystery as far as its City Hall or the Royal Albert

ranking goes. Britain has always sold

ease of access through London Heathrow. These fac tors, coupled with its trendy the big movers and shakers image, are a strong argu-go to clinch deals and do ment for holding a conference or exhibition in Lon-

> But London often loses out because it lacks a major, purpose-built conference the Queen Elizabeth 2 Centre in Westminster, but it can accommodate only 1.100 delegates. Compare that to Birmingham's NEC, capacity 15,000, or the Clyde Auditorium in Glasgow, 3,000, or even the International Con-

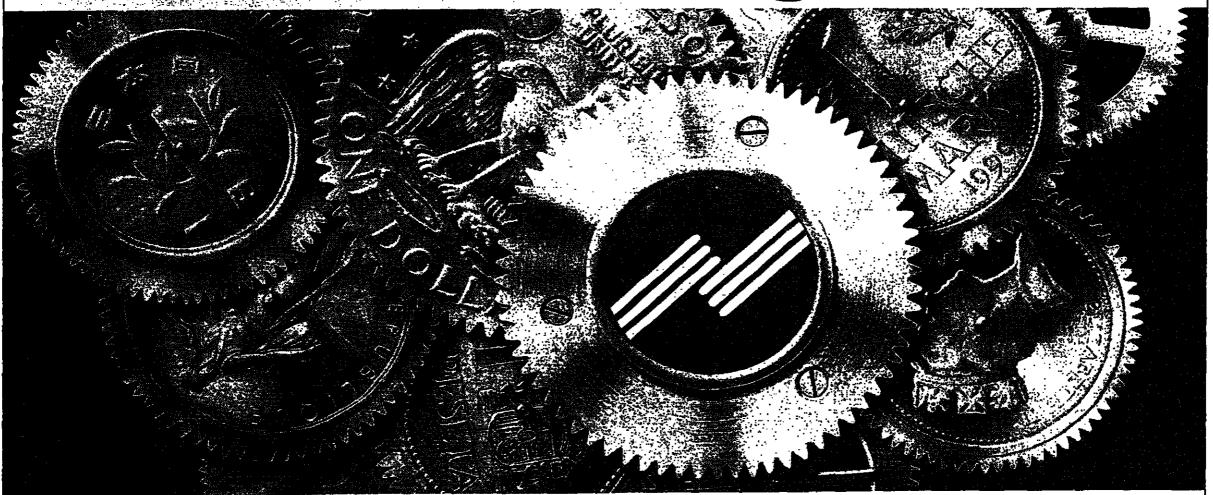
> Regional airline services are pushing a lot of business the way of Birmingham, Glasgow and Edinburgh, but many conference organisers want the kudos of a capital

> The capital does offer sufficient capacity in Wembley (capacity 2,700 in the Grand Hall) and Alexander Palace (7,250 in the Grand Hall) but they are both considered too far out of central London. Neither are easy to get too or are serviced by a good enough spread of hotels, res-

other services needed. Event organisers have been circumventing the shortage of a central London venue by splitting conferences. The main conference takes place in the QE2 and the overspill, the plenary sessions, the break-out sessions and so forth, take place

Gillian Upton

FIERA MILANO makes for good business



Exhibition Calendar from January to May 1998:

Cart 1998 International Exhibition of stationery, International Exhibition of stationery, articles, articl

27 February - 7 March

11-13 Heron

11-14 March

12-15 March 12-15 March

For and Leather Exhibition

25-29 March

16-21 April

Grafitalia Exhibition of machinery and materials for

DATES OF EXHIBITIONS MAY UNDERGO CHANGES

16" International exhibition of accessones and semi-finished products for upholstered

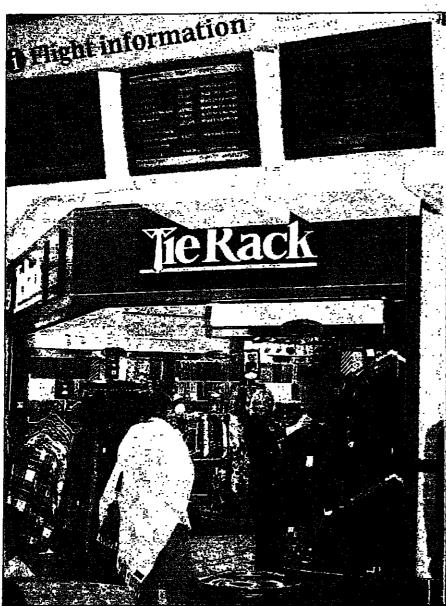
22-26 May Fatorshop/Expo Market 1998 International embition of equipment.

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Air travel



Shopping while you wait

Michael Skapinker explains why many airports around the world are looking to retailing as a lucrative source of funding, a move that is not supported by some airline executives

It is Saturday night, and the commercially - which is bookshop in the departure another way of saying that bookshop in the departure lounge of Johannesburg international airport is seething. The airport is too small for the thousands of passengers waiting to board their flights to Europe and, in the tiny shop, customers and staff snap irritably at

Help is at hand, however. The Airports Company of South Africa (Acsa), overwhelmed by the recent rise in tourist numbers, : plans to invite a foreign investor to help modernis its facilities. The South African government will announce in the spring which company has been elected to acquire an initial 20 per cent stake in Acsa. The winner will be chosen from a shortlist of six, including BAA of the UK and Amsterdam's Schiphol

Hundreds of other airports worldwide are alsoseeking outside investment. One of the reasons why governments are wholly or partly privatising their airports is that they do not want to fund investments in new terminals and runways from state funds.

But another reason for the privatisations is that ernments have realised that outside investors can. often run airports more

they can turn them into shopping malls.

BAA and Schiphol have

been among the pioneers in. realising the retailing potential of airports. Sin BAA. which owns seven UK airports, was privatised a ade ago, airport charges which include Heathrow and Gatwick, have been regulated. To increase its turned instead to other businesses, such as

retailing.
The result is that the company's retailing revenue last year was £606m, which was 44 per cent of BAA's total turnover. Airport and traffic charges accounted for only 34 per cent. BAA's. shops sell 20 per cent of the perfume sold in the UK. During the summer months, the McDonald's restaurant at Gatwick airport's south terminal sells more food than any other McDonald's in the UK. BAA outlets sell 800,000 ties every year, and

a pair of socks every two Schiphol, a retailing pioneer, has also found ways of turning the dam airport into a

Both European con have exported their airport retailing facilities are less extensive. Schippin is a member of a cons chosen to design, build end operate a new international arrivals terminal at JFR airport in New York, It is selected by the Australia

BAA rues the retsiling operations at Pittsbor airport, where the TG Friday restaurant now for higher revenue than any other TGL Friday in the BAA also runs all the airport, is part of the consortium selected to manage Melbourne sirpo and has bought a

controlling stake in Naples

are unhappy about the was shops are taking over large areas of airport terminals. They say the drive to put more shops means there is less space for airline facilities, such as chec desks. They add that engers become ab in their shopping, doingt

providing skincare if sirpoit shops to try ideas which can then be retailer, used its Heathrow ores on pilot a home

ampaign by the airports and by the duty free tamely, which says that

absindon its plans.
Smaller airports with a
high proportion of regional Heathrow, Schiphol and Chiries de Gaulle. Few European airports will be completely elaling skills will acte

essite by dream ce will still not be sm

When passenger trouble strikes

Onboard incidents are few, but they still present a big problem for airlines. Michael Skapinker reports

mans kitakauer ieu into con-French military official. What, the official asked, were airlines going to do about crowd control when 600-seat "super jumbos" began flying?

Mr Krakauer, senior vice-president of the International Airline Passengers' Association (lata), confessed that he had not given much thought to the problem. He has now, however.

Airlines worldwide are worried about how to control their passengers, even though 600-seat super jumbos have yet to proceed further than the aircraft designers' computer screens.

It is not crowds the airlines are worried about, but individual passengers who become violent, abusive or disruptive in mid-flight.

Last year, a 50-year-old woman passenger on a British Airways flight from Montreal to London was sentenced to two years' imprisonment in the UK after assaulting cabin crew and then attacking the police officers who arrived to arrest her after the aircraft has landed.

In 1996, a disruptive passenger on a domestic US Airways flight was sentenced to 51 months in prison and 200 hours community service.

becoming worse, although they admit they cannot prove it. There are few reliable statistics and, as with crimes such as domestic violence, it is possible that cabin crew are simply reporting more incidents

than they did in the past. Mr Krakauer is convinced that, if the problem is getthe passengers have changed. "We've always had violent and indecent passengers on flights. We don't all of a sudden have worse passengers than before."

What has happened, he says, is that flights have got longer. The 10 or 11-hour non-stop flight in a Boeing know that violent disruptive 747 is a fairly recent phe-behaviour on board aircraft nomenon. It appears, he isn't going to be dismissed or

A few years ago, in Senegal, says, that most violent inci- taken lightly. The judges are dents occur on the versation with a senior haul trips and very few on short flights.

Iain Burns, a spokesman for British Airways, agrees that violent passengers are a tiny minority. He says that although BA flies 35m passengers annually, it experiences only 10 to 15 violent incidents a year.

However, with passenger numbers expected to double over the next 20 years, the number of violent incidents will increase proportionately unless something is done to stop them. And, however, small their number, violent incidents are deeply upsetting to crew and other passengers, and potentially dan-

gerous to the flight. What can be done to eliminate passenger violence on board? The first step, airline staff say, is to make it clear that such incidents will not be tolerated. While this may seem obvious, industry officials say that airlines have occasionally played down the problem in the past, and ignored cabin crew demands for action.

The Airline Pilots Association of the US (Alpa) last year sponsored the first international conference on the issue. Randolph Babbitt, Alpa's president, says airlines and airports had to adopt a similar attitude to passenger violence as they did to on-board security in the 1970s.

"We have to educate the public as to the seriousness of the offence." Mr Babbitt says. "When the airports installed X-ray machines and magnetometers, people were making the mistake of not taking it seriously. They'd crack jokes about there being a bomb in their luggage and, the next thing they knew, they were being given the third degree by a bunch of security officers who didn't see the humour in their fooling

"The same thing applies here. We have to let people

tences that reflect the fact that you have endangered dozens, if not hundreds, of

airline passengers." One of the difficulties is that while judges in the UK and US have shown a willingness to send violent passengers to prison, many countries will not even prosecute offenders if the airline

is a foreign one. Many in the industry argue that at least as much attention should be paid to preventing incidents as to prosecuting offenders. Disruptive passengers are like many other violent offenders, drunk. And many have begun drinking before boarding the aircraft.

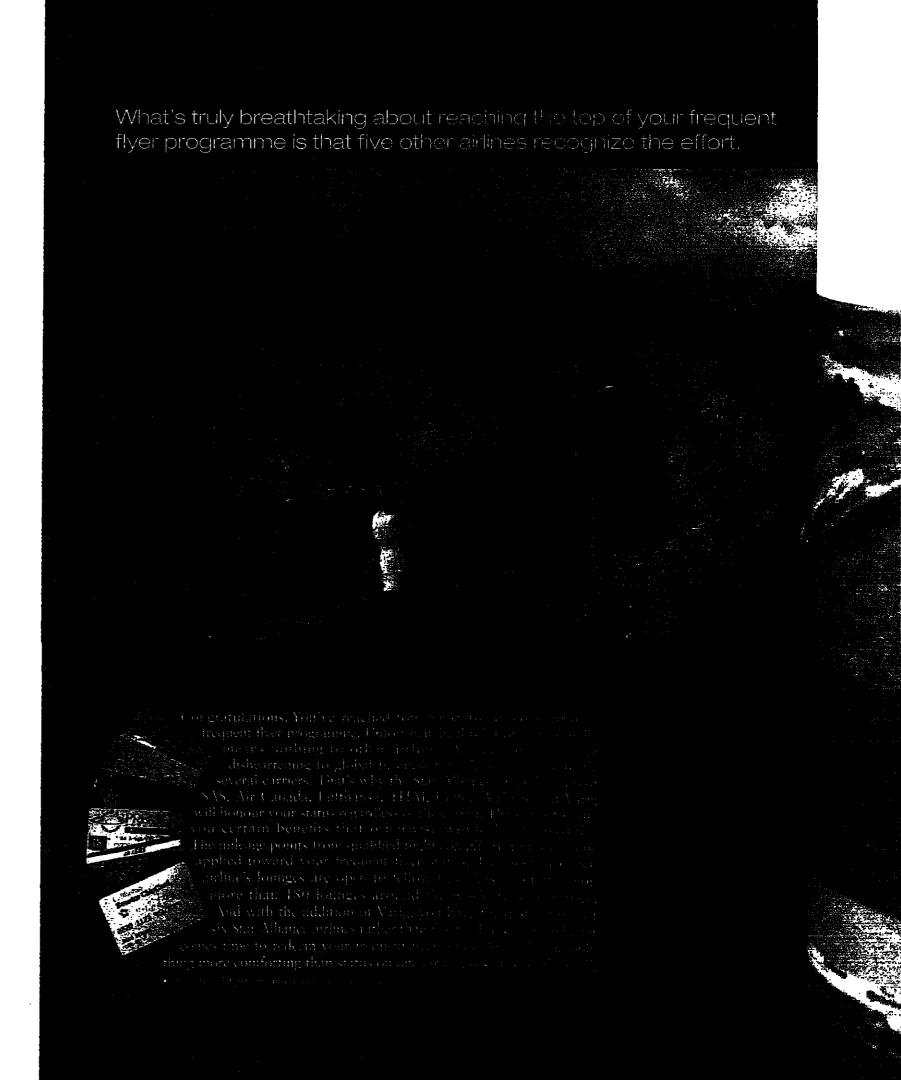
BA announced last year that its staff had been given the power to prevent any passengers who appeared to be drunk from boarding their aircraft. They had also been told to stop serving in-flight drinks to passengers who appeared to be drunk. They could also confiscate duty-free alcohol from passengers who had had too

Mr Krakauer say that airlines need to look carefully at passengers before they board the aircraft. Many of the incidents which occur in the air have their origins in events that occurred before boarding. Delays and lack of information, added to heavy drinking, lead to some pas-sengers entering the aircraft in an explosive frame of mind.

In a letter to the US Federal Aviation Administration last year, Mr Krakauer argued that early intervention was far better than attempting to deal with the problem once the disruptive

He wrote: "It must be remembered that the process of 'unloading' a passenger once boarded represents a major operational and ecoprobably miss its slot, have at least a one-hour delay and create potentially serious difficulties with passengers already on board."

Airlines used to have staff in the waiting areas who could watch out for these sorts of problems. Mr Krakauer says. But. he adds. many airlines have shed so many staff that they no longer have sufficient employees to mingle with passengers before boarding. If airlines want to show they are serious about preventing violence, they will have show they are willing to devote the resources to do





Cruising and specifiq...but sometimes it's not so peaceful

A breath of fresh air at the Malmaison

Michael Thompson-Noel finds a touch of style, a neighby should the mood take him, the opportunity to press his own shirts should the mood take him, the opportunity to press his own shirts.

If you need to visit roomer in Leeds. Sites in Newcastle, in north-east London and Paris are being England, you could do far studied.

Newcastle, in north-east London and Paris are being England, you could do far studied.

My suite in the Newcastle the ways it saves on traditional botel overheads while is excellent.

The food it is excellent. Michael Thompson-Noel finds a touch of style, a helping of humour and,

A STATE OF THE PARTY OF THE PAR Its backers call it a "classic contemporary hotel with a French hrasserie, which is exactly what it is. And it claims to offer "great style and great value" – assertions as a series of the control of the claims to offer "great style and great value" – assertions of the control of the c and great value" - asser- All reason tions with which few guests ers. a 10-channel TV set,

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THE THE SECOND Its young enthusiastic and sometimes board, personable staff, many of an iron and ironing board. personable stan, many or an invalidation of them locals, haven't quite stored in a cupboard. I have them locals, haven the stayed in hotel suites that got the bang of every last stayed in hotel suites that at the state of little thing. But the Malmai- have cost three - even five son story - one of the most. times as much as this, and successful in the recent his- been far less impressed. tory of the UK hotel basi- (Smaller suites at the Newness - looks set to run and castle Malmaison cost £165 THE PARTY NAMED INC.

A. W. M. R. S. B. the seventh floor, and won- to £145 per night; ordinary dering how long ago it was doubles cost £65 to £95 per that I encountered such a night). pleasing hotel room. Years, ... Not surprisingly, the probably.

maison hotels: Glasgow (75. corporate travellers that (116). A Manchester Malmai- hotels, however tried and

Malmaison hotel it is cen- Malmaison, which costs and trally located; in a converted per night in midweek and warehouse, at the heart of 2200 per night at weekends, the Quayside development, is above all stylish beautifully lit and amountly well overlooking the River Tyne. equipped. There is no clutter but there is plenty of colour. As a result, the effect is upbeat and cheering rather than greyly minimalist.

> It opened last November 4 but I see that my suite has m. to £195 per night; executive 4pm: I am in my suite on twio-bedded rooms cost £115.

motte of the Malmaison So far, there are three Mal- group - intended to remind son of 116 rooms opens, trusted such hestelries may They come from the man "I am meeting the Patriot want to dilute the formula. I shortly, followed by a 100, be is: It's your life. Stay himself, Ken McCulloch, one people in the US next week," think the Malmaison

tional hotel overheads while is excellent. We are only attempting to remain flexi- drinking water, but the brasble. Its alm, it says, is to provide contemporary sought-out wines, plus accommodation that repre-unique Belgian, Scottish sents outstanding value. "As and Newcastle beers". part of this affordability vice or turn-down. As part of our can-do culture, however,

time...please ask." Another insight into Malphy involves the (promised) response to guests who want and solariums). a cab. "If you would like us to call you a taxi," it tells its guests, "please call Recepthe immortal line: 'You're a Breare, chief executive of for you."

7.30pm: I am having din-Malmaison concept, and burgh (60) and Newcastle eld-style, business-chain and - a word he uses -"funkiness" come from. (Arcadian owns 35 per cent).

Mahnaison's chief executive.

The food in the brasserie serie claims to offer well-

"Malmaison is built on package," it adds, "it is not a simplicity," Mr McCulloch part of our normal service to tells me. It's guest rooms, provide porters, room sermeans the hotels' high-tech fitness clubs) and meeting it is also,...our policy to try to never say 'No'. So, if you like things that are simple. I need help at any For example, food should be simple but tasty. Always tasty." (As well as the usual maison's business philoso- hardware, the Malmaison gyms have mixed saunas

Mr McCulloch's success

with the Malmaison hotels has owed a lot to his close tion, who will oblige with relationship with Robert taxil They'll also order a car Arcadian International, a Surrey-based hotel and leisure group, which recently ner with the man behind the accepted a £92m bid from Patriot American Hospitalstarting to understand ity, a big US hotel and propwhere the group's breath-of- erty company, which has rooms and suites). Edin-they do not have to stay in fresh-air humour, diligence options to acquire the



A Malmaison bedroom: stylish, cheery and, for the money, unusually well equipped

Mr McCulloch tells me, "and looking forward to it. I will run Malmaison for them. I expect they will wish to incentivise me." He grins. "With their sort of backing, we'll now have the clout to remainder of Malmaison drive the Malmaison operation forward, though I do not

approach would work well in opened. It's full tonight most of Europe's capitals. and this is January. "The food and beverage And it would succeed in the

"The three Malmaisons in very seriously. It is unusual operation so far are similar for hotels to really want but not identical. In terms of their guests to stay the night price, they are aimed at mid- and eat in the hotel restaumarket, where I particularly rant. But we do. wanted them to offer outstanding value for money. I wanted to take interesting buildings and do something different with them." The Glasgow Malmaison occunies a former non-conformist

baronial-style building with clocktower overlooking the harbour and port of Leith. "Glasgow and Edinburgh

was freaky, because if some night in a hotel. So we say: thing had been wrong, there stay where you like. Stay She tells him it will take 10 was no way we could have with us. Have fun. But we to 15 minutes to find some changed things," he contin- are constantly fine-tuning. A hot coffee, and leaves the ues. "Fortunately, they filled hotel operation is evolutionat once, and made money straight away, while New- to get better every day." castle has had an occupancy

8.30am the next morning: son experience is - yah rate in the mid-80s since it I am having breakfast, and really funky.

noticing how eagerly the young restaurant staff treat all requests. But I wish they

ketchup?" I 35k.

"It costs a great deal of money to build hotels these days. The big questions are always: can you build on time and on budget? Can you fill? Can you maintain whatever it is that is distincchurch. The one in Edin- tive about your brand? Malburgh is set in a Victorian maison is the first homegrown UK hotel brand for a very long time, and so far it his coffee is cold, and asks

side is something we take

has been a success. for some hot stuff. "Let's face it: business opened within a month of travellers would far rather asks, wonderingly - and one another in 1994, which be at home than staying the sticks a finger in his cup. ary in nature. It must strive

did not say "No problem!" quite so frequently. It is getting a little tedious.

"Can I have

"No problem!"

"Some sugar?" "No problem!"

"A spoop?" "No problem!" "An ashtray?"

"No problem!" Later, in the sitting room reserved for people staying on the 7th floor, a guest tells a young staff member that

"Is it really cold?" she "Yes," she says. "It is cold." room.

I and the other guest agree that, all in all, the Malmai-

This is what is really wanted

Hotel amenities and customers' needs are not always in tune, says Scheherazade Daneshkhu

industry. The refrain for hotel chains aimed at wooing business travellers is "an office away from the

There are oodles of surveys to show just how hard business travellers are working these days, and how they need an office instead of a bedroom when it comes to staying in a hotel.

More business travellers spend time working in their hotel rooms than ever before, according to a study of business travellers by Hyatt hotels. The overwhelmingly majority feel under pressure to be productive when travelling.

Eighty-three per cent of harder than their bosses on business trips, and 85 per cent of bosses said they worked harder than their employees, according to the

Business travellers are so encourage them not to travel at all. Xerox, the office techback the number of business trips at its UK-based two years. John Cash, manager of purchasing and travel operations, says travel for business. is being reduced to save "dead time" when people are travelling. There are other ways for people to communicate than to meet physically. he says, adding: "I've got a three-hour conference call to the US this afternoon."

their basement business cenout of your office when you come and stay with us.

A home away from home is Workstations turn out to be one of the most frequently modestly-sized tables with chanted mantras in the hotel what little free space there is on them taken up by hotel's promotional material.

The hotel may have promised a spare data port with a dedicated line but often that turns out to exist in only 5 per cent of its rooms at 2 per cent of its hotels. If the internet is available on the television it is almost invariably a tailored version. And on enquiring why there is no fax in the room, you may be told that the guests have said they do not like the noise it makes in the night.

Hotels have to balance the expense of providing business services with the demand for them. Most have decided that the cost-effective way of doing so is to employees said they worked have dedicated areas for the business traveller, be they rooms on a business floor for which they can charge extra, or a business centre.

demand for an office away from the office? Do business busy that some companies travellers really spend most of their time on business working in the room? A sur- and a gym. Now guests want nology group, says it has cut vey conducted for Inter-Con- a purpose-built gym and tinental interviewed 6,000 users of four and five-star operations by one-third over hotels at airports. It asked what the most important factor was for choosing a hotel

You might have expected port, fax machine and big ness hotel in the future to be demand.

month. What laptop and mobile phone-clutching trav- but finding they do not. This is the sort of stuff ellers wants most from a room's temperature.

where they are likely to be mugged as soon as they step out of the door. Next on the list of demands is one for an efficient messaging service and the availability of nonsmoking rooms. They also want the hotel to be near the city's business centre and for it to have rapid turnaround cleaning service.

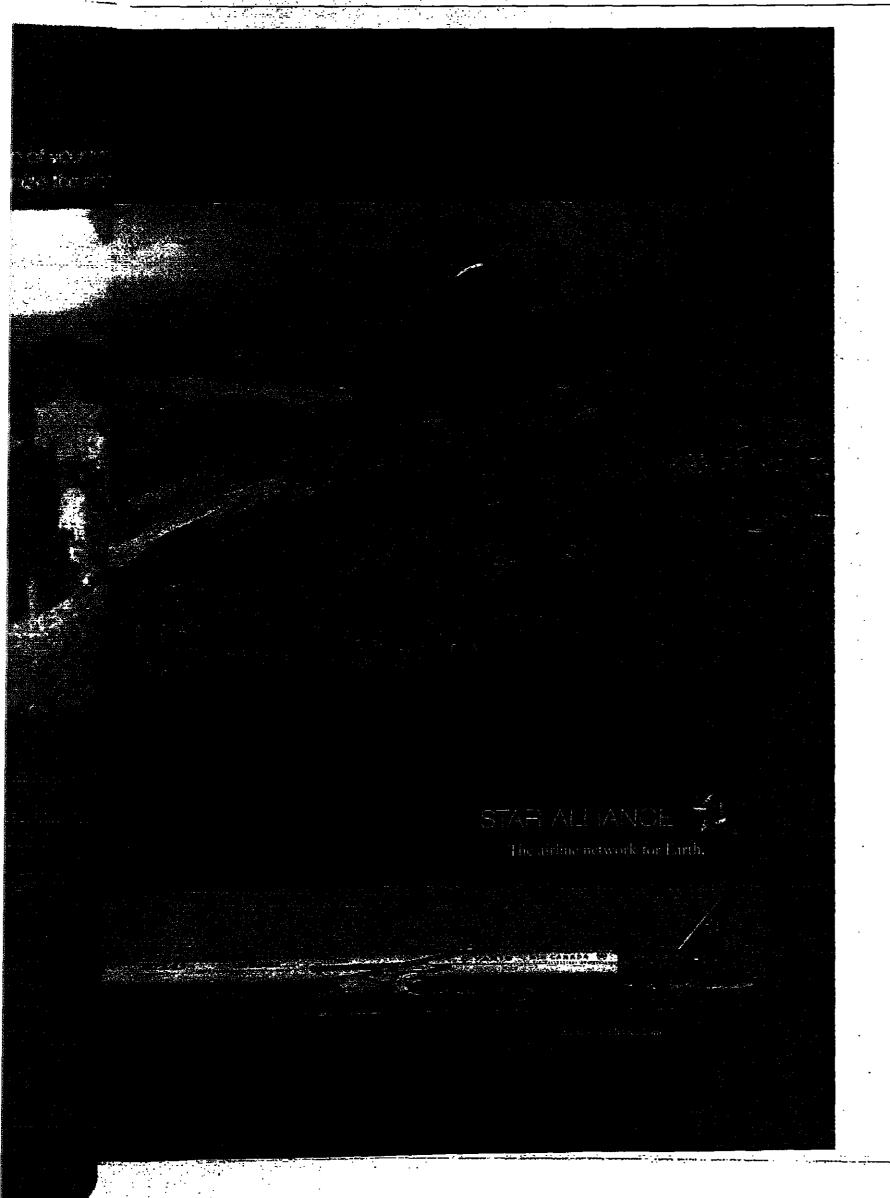
In fact, none of the things you might think the harried executive wants from the hotel room featured in the top 10 list of demands.

Arie van der Spek. vice-president of marketing for Holiday Hospitality in Europe, the Middle East and Africa says there is tends to be a misconception in the industry about the business traveller's' needs. "We always assume guests want to work in their room, but that is a wrong assumption because travelling is stressful and travellers seek comfort in the room. In order to relax in preparation for the next day you need space, a sofa and a good TV."

He says there is an increased demand for international sports channels and But how great is the a growing intolerance of makeshift gyms. "The guest is more critical than in the past. The old Holiday Ion leisure facilities were a pool they want to know the type of equipment you have in the gym - they will mention the brand name."

The Inter-Continental survey found, however, that travellers expect their most money and to eliminate e-mail, internet access, data important demand of a busidesk to compete for the top for high-tech business and communications links. Per-Not a bit of it, according to haps that is a reflection of the results released last feeling they ought to be wanting these things today

Inter-Continental says the that leaves hotels quaking in business hotel is a quiet entire hotel industry will room. Their second demand have to change quickly to tres. It is not a waste of time, is a clean room. These mod- respond to this anticipated they protest, because you est demands are followed by demand. A shrewd punter would never guess you were being able to control the however might put his money on travellers of the They are also keen on high future still rating comfort, All too often the reality safety standards and to cleanliness over an office falls short of the claims. avoid hotels located in areas away from the office.



Getting around: central Europe

Financial Times correspondents guide the traveller around some of region's main business districts, offering the first-time visitor and weary globetrotter alike tips to make their journey a little smoother

SWITZERLAND

Switzerland, located at the heart of Europe, is a country far more people pass through than visit, which is a mistake. It has the best public transport system in Europe which allows easy access to the mountains and lakes for which Switzerland is justly famous. Berne is the political capital. Zurich the financial bub, Basle the home of the Swiss pharmaceutical industry, and Geneva, the headquarters of the United Nations.

Travellers from developed countries and many developing countries do not need a visa unless they are staying for more than three months. Visitors from many east European countries and Latin America often need them.

Swissair and Crossair, its regional unit, serve 140 cities around the world, and most international airlines fly to Switzerland. Zurich is the country's main airline hub, but Geneva, Basie. Berne and Lugano also have international flights. Zurich and Geneva airports both have railway stations permitting hourly connections to the rest of Switzerland. Swissair and Swiss Federal Railways allow passengers to check in baggage to any airport in the world at 115 Swiss rail stations. Baggage from incoming Swissair flights and its partner airlines can also be checked through to the final rail stations in Switzerland.

Local transport

It generally saves times to take the train rather than the car, and public transport rather than taxis in the main cities. A train from Zurich airport to the city centre takes about 12 minutes and costs SF15, while a taxi can take more than twice as long and cost around SFr45.

Hotels

Three well-known hotels in the heart of Zurich's financial district are the Baur au Lac, Widder and the Savoy Baur en Ville. The Schweizerhof and the Marriott are both close to the main station, but the Dolder Grand Hotel, a mile or two from the city centre, offers a little more privacy. Geneva is now less smart but still boasts some top hotels, including the Beau-Rivage, Richemeont, President-Wilson, Angleterre and Des Bergues. In Basle, the Hilton and Euler are popular with bankers, and in Berne the Bellevue Palace is a haunt of politicians.

Eating out

Switzerland has some of the best restaurants in the world, and the most expensive. If you cannot understand the menu in German-speaking districts, try Zurich's local dish of "Geschnetzeltes" (finely diced veal served in a cream sauce) accompanied by "rōsti" (finely-grated fried potatoes). In French-speaking Switzerland, "fondue" based on local Gruyère and Emmental cheeses, is a favourite dish as is "raclette". Of the Swiss wines, the white wine has a better reputation than the red.

Foreign visitors usually find Vienna an easy city to cope with. Most of the main hotels, corporate and bank headquarters are in or close to the city centre, and public transport is excellent. A visit to a traditional coffee house ought to be included in even the tightest of schedules.

Nationals of most industrialised countries may enter Austria for up to 90 days without a visa. Some nationalities may require an official invitation and a financial guarantee from an Austrian host - and the paperwork may take quite a long time. All land border controls between Austria and neighbouring italy and Germany are being abolished in

Airlines

Vienna airport is slowly developing into a significant European hub. Austrian Airlines, the national carrier, has particularly connections with eastern Europe and the Middle East, as well as servicing western Europe, the US and east Asia. Domestic flights tend to be expensive, so trains and hire cars may prove to be good options.

Local transport

A taxi ride from Vienna airport to the city costs Sch400 or more, while limousine services will do the same journey for Sch270 and an airport bus Sch70 to the Hilton hotel. An average city taxi fare is likely to be Sch120 to Sch150. Vienna has clean and quick subways and good bus and tram services. Tickets are cheaper if bought in advance.

International chains such as Hilton, Inter-Continental and Marriott have five-star facilities and are all conveniently located along the Ringstrasse, the boulevard surrounding the city centre Typical prices are Sch3.000 to Sch5,500 a night. There are plenty of mid-range hotels and smaller pensionen (bed and breakfast) and and close to the city

Eating out

Vienna has a fine selection of restaurants offering local and international cuisine as well as plenty of eateries offering food at reasonable prices and good wine. Among the most celebrated are Steirereck (713-3168), Altwienerhof (892-6000) and Korson (515-16546). Good Viennese food is cooked at Schnattl (405-3400). Service is always included in the bill, but it is customary to add a tip of 5 to 10 per cent.

GERMANY

German cities may not be the world's most exciting but they have plenty to offer. Their compactness makes it easy to get around and there are plenty of museums, concert halls and restaurants to divert the tired business mind. Germany is not cheap, but low inflation keeps prices stable. Shopping hours have been relaxed, but are still not as liberal as in the US or Britain. Service also lags behind these countries.

Citizens of EU countries, the US and leading industrialised nations do not need visas. However, Germany does have visa requirements for a host of countries in Asia, Africa. South America and eastern Europe.

Airlines

Germany's main airport is close to Frankfurt, the country's leading financial centre. Lufthansa, the national airline, has international and domestic services from here as well as

other important cities such as Munich. Berlin (the capital), Cologne, Düsseldorf, Hamburg and Hanover. Other leading world airlines also serve these cities. Domestic flights are not cheap, but competition is bringing down prices.

Local transport

Cities are well-served by regional rail links, but it is generally quicker to take taxis from airports. These are generally around \$25, although Munich's airport is some way from the city and a taxi ride into town costs around \$50. Taxis are generally modern and clean, and Frankfurt even has a few London-style taxis. For long-distance travel, trains can often be a quicker option than flying.

Hotels

There are hotels to suit all tastes There are grand hotels in the traditional style - including the recently rebuilt Adlon Hotel in Berlin – as well as internationa hotels - which offer all modern comforts but lack character mid-priced establishments and small private hotels. Rooms for top hotels. such as the Frankfurter Hof, Arabella

and Hessische Hof in Frankfurt cost

around \$170, but can range up to \$280

or more when big trade fairs are held.

Eating out

Germany has a wide range of restaurants, from traditional and hearty national cooking (lots of pork and sausages washed down with beer) to sophisticated international cuisine. Italian and Chinese restaurants abound. Most cities also have a smattering of other Asian flavours. such as Thai, Vietnamese and Japanese. Wines from Franconia (northern Bavaria) and Baden-Württemberg are among the country's best and not always easily

HUNGARY

Budapest is once again a great European capital, with much of its fine architecture restored and the traces of communism almost vanished. It is full of pleasures, from a good opera to an excellent zoo. However, the tourist areas are home to a considerable school of 'sharks' who specialise in luring visitors into bars and restautrants – specialise in luring visitors into our list. Bills of and forgetting to show them the price list. Bills of thousands of dollars for a glass of wine are then pres

Visitors from the EU, North America. Japan and several other countries do not require visas. Business travellers from elsewhere can acquire them easily from Hungarian consulates on proof of financial support.

Airlines

There are regular flights to Budapest from most west European capitals, either by Maley or international carriers. Flying in the region can be more problematic, and travellers from Budapest to Romania in particular are advised to book well in advance. If you are travelling to Budapest from Vienna, you will probably find it cheaper and more convenient to drive.

Local transport

An excellent minibus service will take you from Budapest. airport to any location in the city for around \$6. Most government offices, business centres and main hotels are located in Pest, on the eastern side of the Danube. The public transport system there is one of the finest in the world. It is rarely necessary to take a taxi, especially as the city centre is quite compact. Buda, the hilly, western part of the city, is more difficult to get around in without a car.

With several of the big international chains represented in Budapest, there is rarely a problem of finding good (if expensive) accomodation in the city centre. The Kempinski and the Marriot are reputedly the best at present. The Gellert, on the Buda side, is further away and not so luxurious, but apart from being cheaper has the advantage of an interesting art nouveau building and famous thermal baths. Visitors with a car, some time to spare, and a liking for peace and quiet might want to stay at one of the pleasants pensions (panzios) in the Buda hills.

Budapest has many fine Hungarian restaurants, most of which are not very expensive by west European standards. Gundel's (321-3550); a revived classic from the period of the Habsburg monarchy, is the grandest; Robinson's (343-0955), on a lake in the main city park, is the most original. However, Hungarian cooking can be a bit heavy for some tastes. There are also a growing number of French and Italian restaurants, a few of which, such as Fausto's (269-6806), are very good indeed.

CZECH REPUBLIC

Prague's stunning architecture and maze of cobbled side streets at once distract and disorientate, but the main business areas neatly overlap the main tourist hants. That makes them busy. Most banks' headquarters and main office blocks are within walking distance of the central Wenceslas Square. Parliament and its main lobby companies and consultancies ate tucked between Charles Bridge and Prague Castle

Visas

Russian, US and EU nationals do not require visas; visitors from most other countries do. Consult your local Czech Republic embassy for advice.

Airfines

Prague's newly-enlarged and modernised airport is well served by most leading European and US airlines. Low-cost domestic flights, wither with CSA - the national carrier or the private Ostrava Air are available from Prague to Brno and Ostrava. CSA runs daily direct flights to Bratislava and Kosice in Slovakia.

Local transport

Taxis from the airport to central Prague cost the equivalent of \$12 and the bus about \$10. Taxis in the capital are supposed to charge the equivalent of 50 cents per kilometre, but the city's cabbies are notorious for fleecing foreigners. The city has excellent public transport. A clean, efficient and safe metro serves most areas, and tram and bus services are efficiently regular. Single journey: 30 cents.

Hotels

Prague's best centrally-located hotels offering business facilities are the Inter-Continental, Rennaissance, Hilton-Atrium, Forum, and Palace. Prices range from about \$170 to \$240 per night, depending on the time of year. A five-star Kempinski will open soon at Old Town Square.

The capitals restaurant scene has improved considerably in recent years. You can eat excellent Indian at the Jewel of India, sample such at Barock, or try Turkish and Russian as Pasha's Kampa Park has very good international cuisine, with it's Thursday evening seafood buffet flown in that day) a particular favourite. U. Patrona has discreet class, Le Listro de Mariane is the only place for a French lunch, U Modre Kachnicky and U Zlate offer good Bohemian fayre.

SLOVAKIA

Bratislava may be small, but its location of the Danube and its charming, delightfully renovated baroque centre make for an attractive town. The banks, government offices, commercial missions and parliament are all within walking distance of the centre. Some of the larger companies are located on the less delightful

Russian, US and European nationals do not require visa, but most others do. As in the Czech Republic, US citizens may stay up to 30 days without a visa and EU nationals 190

Airlines

There are very few direct international flights to Bratislava, although British

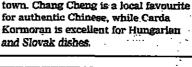
link. Most travellers use Vienna about 30km away) then take a bus or taxi. Be warned ... it can take up to two hours to cross the border by car. The train from Vienna to Bratislava takes less than an hour. Alternative routes air by air to Prague or the Danube hydrofoil from Budapest.

Airways is negotiating for a London

Local transport

A taxi into Bratislava from the airport will cost the equivalent of \$10 to \$15. Bratislava is so compact that, if you are in a burry, short trips costing \$5 to \$10 may be a good bet. For visits to companies on the outskirts of town, Yello Taxi is the most efficient, friendly and reliable.

If full business and conference



Wenceslas Square, Prague

facilities are not a priority, try the

Perugua, which is within walking

distance of almost every bank and

what thinks used to be like under

relatively efficient Devin.

Eating out

official building. Otherwise, there's the

Diplomat and Forum. For a glimpse of

communism, try the lazily friendly and

The "must try" in Slovakia is Brindza.

a creamy sheep cheese usually served

Hviezda or Reduta. French cuisine and

seatood can be had at Casablanca. U

Davida is the only kosher exterie in

as an appetiser. For this and other

Slovak specialities, try the Modra





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Getting around: central Europe

If your business trip allows a few days for rest and relaxation you might have the opportunity to explore the pleasures of your host country. Correspondents offer some suggestions

Test a tipple or two of goodness

Joe Cook follows the footsteps of royalty, intellectuals, composers and playboys to some Czech spas

Many a first-time business trip to. Although still very popular among Prague is cunningly arranged for a Czechs and Slovaks, and much fre-Thursday or Friday so that the quented by the aged and infirm, visit can be extended to include a weekend in one of Europe's most beautiful cities. For those whose business requires return trips to the Czech capital, the opportunity should not be missed to engineer the timetable to allow for a weekend exploring central Europe's old aristocratic playgrounds, the elegant spa towns of west Bohemia.

Steeped in history, rich in cultural heritage and set amid some of the Czech Republic's most beautiful countryside, west Bohemia's triangle of spas - Karlovy Vary, Marianske Lazne and Frantiskovy Lazne - are within easy reach of each other, and all are easily from Prague, and you will, of reached from Prague.

German names of Karlsbad, Mar-ienbad and Franzenbad, they were This spectacularly opulent 18th the Habsburg empire's equivalent of the modern health resort where Austrian royalty and Bohe is probably the best, and certainly mian industrialists took a break the most expensive, hotel outside from power intrigues and wealth Prague. Where once it attracted creation to breathe the bracing air and imbibe the healing waters.

During the communist era visits to the spa were regular recre- partying during the annual July

quented by the aged and infirm, the spas have in recent years undergone something of a revival as quietly frivolous playerounds. They are a particular favourite of Austrians, Germans and wealthy Russians. Their patronage has ensured the renovation of many elegant buildings that were neglected under communism. And the standard, and variety, of ser-

recent years. The place to start is Karlovy Vary, the oldest, biggest and most beautiful of the "big three". You will need a couple of hours to get there, whether by car on train, course, have made sure that a Perhaps best known by their old room is available at the only place

vices has improved considerably in

century pile has in recent years undergone major refurbishment. It central Europe's nobility, it now attracts the well-heeled and glamorous, and is the hub of gossip and

Located within strolling distance of Karlovy's 12 separate spas and surrounded by gardens and narks. the Pupp keeps a subtly exclusive distance from the town thanks to the river Tepla, which meanders gently past its stunning facade.

Karlovy is named after Emperor Charles IV who, legend has it; dis-covered the first of the local spas while out bunting in 1358. One of his hounds fell and injured a paw while chasing a stag through Karlovy's steeply wooded hills. The dog would doubtless have gone lame had it not limped through a pool of water - which apparently cured the animal. The emperor's physicians duly declared the water a tonic for all ills.

Karlovy Vary's reputation was assured, and sealed in no uncertain terms, when, a few centuries later, Russia's Peter the Great arrived to take the mineral-rich waters.

He was followed later by other royal bigwigs, such as Frederick of Prussia and Empress Marie Theresa of Austria. Indeed, Bohemia's spas were a favourite of European royalty. Austri's Franz II gave his name to Frantiskovy Lazne, the quietest of the spa towns. And Marianske Lazne regularly welcomes Britain's King Edward VII, who

used to stay at what is now the had made towards the end of his Hotel Kaykaz. The natural requirement of such

visitors for palatial accommodation led to a mini building boom in the 18th and 19th centuries. All three towns are rich with extravagantly decorated terraces, grand avenues and art nouveau mansions. These are gradually being returned to their former glories.

The spas have long been very

popular with central European intellectuals, composers and writers. Goethe was a regular visitor to all three. The waters obviously worked wonders for him; at the age of 72 he wrote of his yearnings for the teenage daughter of a local hotelier in his Marienbad Elegy. Bach, Beethoven, Schumann, Brahms, Tchaikovsky, Litz and Grieg all passed through Karlovy Vary. Dvorak premiered his New World symphony in the town in 1884, and the spa holds the annual

Dvorak festival in Septemeber. Marianske Lazne was the preferred spa of Nikolai Gogol, Richard Wagner, Frederic Chopin and Franz Kofka. And Karlovy Vary even has a Karl Mark Museum, thrown up by the former Czechoslovakia's communist regime to commemorate the numerous visits

You will, of course, have to sample the waters. This you can do either by bathing - warm, aromatic and thoroughly refreshing or by drinking. The waters of Karlovy Vary are said to soothe digestive complaints; Marianske Lazne's are good to cleansing the kidneys; and the waters of Frantiskovy Lazne are recommended for gynae-

The drinking fountains are housed in elegant, and immacu-lately clean, colonnades, usually set amid gardens. The idea is to sip the waters while slowly promenading along the colonnade. Central combination of the two Europe's regular spa-goers drink makes for a very pleasant from a porcelain vessel, which and restful weekend within looks not unlike a small jug easy driving distance of equipped with a sort of upturned funnel instead of a spout. These you can buy on site.

You will also need to buy a packet of oplatky - chocolate or vanilla flavoured wafers. These are eaten between draughts and are an essential part of the ritual; they help smother the foul taste of the water! Which is why, apart from those under doctor's orders, most

Or try the waters for sport

Anatol Lieven discovers the delights of activity and relaxation at Hungary's popular Lake Balaton

mountains or beaches with palm trees, but what it does have is plenty of water, both cold and hot. The Budapest - especially if you

Lake Balaton, some 40 miles south-west of Budapest, covers 230 square miles and is the largest freshwater lake in western and central Europe. Some of the best hot water in Europe is in Heviz, near the lake's western end, and home to

have children to keep

one of Hungary's most famous thermal springs. Lake Balaton itself is exquisitely beautiful. Sharply differing depths of water and a very changeable local microclimate mean that the water has an extraordinary range of colours, from an uncannily bright blue to a greenish grey. According to the light, it can resemble a Norwegian

fjord or the Bay of Naples. The swimming and yachting are excellent, though you have to watch out for the storm warnings. even in summer. So is the fishing, especially for giant Unfortunately, the south

shore of Balaton, where the swimming is best, has been turned by uncontrolled tourist development into an almost continual strip of towns, hotels and holiday

For peace and quiet vou have to go to the north shore, where development controlled and you can still see large stretches of reeds and woodland.

Several local riding clubs hire out horses for a quiet ride or a longer pony trek. The Rali area, in a bowl of wooded hills, is especially beautiful to wander in. It is still home to wild boar and some ostriches; the latter are being farmed for their eggs

and feathers. In summer, even the north shore is crowded, both with Hungarians and with Austrian and German tourists. It can be difficult to find accommodation, and prices in restaurants soar. It s best to go out of season, September and October.

when most of the tourists

remains mild. The shore is dominated by the Witness Hills, great eroded flat-topped basalt stacks of volcanic origin This is also responsible for Heviz's remarkable thermal

bubbling up from an underwater cave keep the temperature at around 30°C throughout the year, and water lilies bloom in January. The high mineral content of the water means that swimmers bob around on the surface like ducks, as in the Dead Sea. Nearby Tapoica has a large underground lake, on which you can go boating under

the stalactites. Heviz has three comfortable four-star thermal hotels, two owned by the Hungarian chain Danubius and one by the Austrian Rogner group. They all have decent restaurants, good swimming pools and offer longer or shorter therapeutic and beauty courses, with plenty of local mud. There are also a host of smaller hotels and

pensions. Close by is Keszthely, where the four-star Helicon Hotel stands on the lake itself. Kesztbely is bome to the finest man-made sight of the region: the Festetics Palace, formerly home to the Counts Festetics, one of the greatest Hungarian noble

This vast baroque mansion was begun in 1745 and has one of the finest libraries in Hungary. The furnishings reportedly survived the aftermath of the second world war intact because an unusually cultivated local Soviet commandant declared that the palace had been infected with typhus and had it quarantined, thereby frightening off his own troops. One side of the gardens is in the French style, the other in the English.

One wing of the Festetics palace is available for conferences and seminars and a few bedrooms can also he rented. All the main local hotels also have conference facilities.

Near the palace is a much smaller but rarer museum. the Marzipan Museum, apparently one of only three in the world and run by a family of hereditary maraipan makers.

This region produces two notable varieties of wine. Badacsony is famous for its whites, from a light, dry Riesling to Muscatel and the semi-sweet "Grey Monk". Tihany produces reds. especially a smooth and powerful Merlot. Excellent and very cheap vintages are to be found in local restaurants, and can be sampled at the Wine Museum at the former cellars of the Princes Esterhazy in Szigliget.

Charm in the north

Graham Bowley tries Germany's coast to sample some bracing air and embrace medieval lore

business capital. Frankfurt. Lübeck about 60km south of who is suddenly possessed of Kiel on the return journey to an itch to travel should head Hamburg to the sirport, fly to Ham Lübeck was known as the burg, pick up a car and head

The refreshing green fields

fresian cows, will open up around. From this vantage point, the traveller can reach Schleswig, a quiet town built of almost fanatical car-lovers around water, and the

and the somewhat refreshing

waters of the Baltic Sea. Eckernförde, a pretty seaside town just a few miles from Schleswig, offers the sometimes comical sight of the inquisitive driver, but sun-seekers on the crowded sands lurking in the army of furt, is Heidelberg, in the

from the brisk winds. Schleswig is Kiel, Schleswig-Holstein's capital, which is a busy and interesting city dominated by the sea and famous universities in Gerwith some beautiful

Even more of an attraction castle, as well as its beauti-

Anyone visiting Germany's for the visitor should be

Queen of the Hanseatic League for its role as the capital of the band of towns of Germany's northernmost, which ruled trade on the state, Schleswig-Holstein, Baltic Sea from the 12th to littered with dairy farms the 16th century. It is a and their black and white mediaeval town of open market squares filled with stalls and music ancient churches and towers

Since Germany is a nation which prides itself on the nearby coast which offers efficiency of its gleaming surprisingly good beaches vehicles and the extent of its speedy autobann, a motoring trip such as this is perhaps the best way to see and enjoy this big country.

Another destination for one which is closer to Franksmall wooden buts to shelter state of Baden-Württemberg.

Heidelberg is an affluent Just down the coast from city huddled on the hills ichleswig is Kiel, Schleswig- either side of the river Neckar, and it is home to one of the oldest and most many. Its chief attractions include the old, half-ruined



Welman: once home to some of Europe's greatest artists, musicians and thinkers

ful university buildings and

But while the car offers easy access to the delights of Germany, other travellers might prefer the pleasures of journeying by train.

One recommended rail journey from Frankfurt takes the traveller east over what was once the border

the German Democratic Weimar than in most other Republic to Weimar. Weimar is probably best was here, in the woody hills known outside Germany as just a few miles outside the

the city which gave its name to the 1919-1933 German Weimar Republic. This is where the republican constitution was drafted after the first the camp is open to visitors. world war. But Weimar also has an impressive cultural tradition. The list of Europe's greatest artists, musicians and thinkers who

made city their home for at least part of their lives is astonishing - and evidence of their lives and works can still be seen. Lucas Cranach the Elder,

Johann Sebastian Bach, Friedrich Nietzsche, Vasili Kandinski and Paul Klee all lived here; the Bauhaus movement, which laid the foundations for modern architecture, was active in the city from 1919 to 1925.

A short walk around the city's pleasant streets and market places leads the visitor past monuments to Johann Gottfried von Herder, the 18th century poet, critic and philosopher, past the crooked house where Friedrich Schiller lived, and finally past the grand home of Weimar's most famous and most celebrated citizen. Johann Wolfgang von Goethe, creator of "Faust". Goethe's home has been

turned into a museum. As is the case in virtually the whole of eastern Germany. Weimar has been supported by generous flows of funds from the richer western half of the country. The result has been that in just 2 few years sooty, run-down buildings which were hidden behind the grime of the communist era have been transformed into splendidly-coloured examples of great

But alongside its important cultural past Weimar has significant historical leg-

The period of National Socialism is more evident in

towns in Germany, since it city, that the Nazis built Buchenwald, one of their vide a good opportunity to visit the city. most notorious concentra-The town's leaders intend tion camps. What is left of

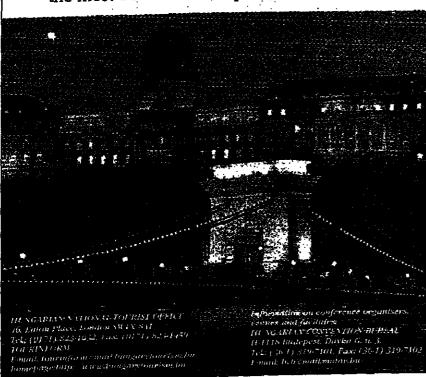
More than 250,000 people were held captive in Buchenwald between 1937 and the end of the second world war in 1945; more than 50,000 of the prisoners died during this time.

After the war, the victorious Soviet army used the camp for its own purposes, interning alleged anti-communists and former Nazis festivities.

and working several thousands of prisoners to death. Weimar has been chosen to be Europe's city of culture in 1999, and this might pro-

to use the year of culture to remind people both of the giories and of the horrors of from April to June and in the past. They want to point out that perhaps no other German city, with the possible exception of perhaps Berlin and Potsdam, has seen so much of the ups and downs of German history. They insist that Buchenwald will not be ignored during the

OPEN DOORS, OPEN HEARTS, OPEN MINDS. Visitors to Hungary expenses OPEN DOORS, OPEN HEARTS. OPEN MINDS. Visitors to Integrity Experience friendliness and cordial buspitality all along, also in the capital situated on the banks of the river Danube. Between the two parts of the city there is the spectrumbar hand of of the river Danube. Between the two parts of the cay there is the spectacular band of the Danube with graceful bridges above, connecting Buda and Pest, Budapest is one of the cultural centres of Europe. In its many museums, galleries, concert balls, in one of the most beautiful opera houses of the world and at the festivals that follow one another throughout the year everyone can find something to their liking. Wherever you come from, you encounter heartfelt haspitality in Hungary. One of the thousand faces of Budayest will certainly be Yours. Budapest is considered to be one of the most beautiful metropolises in the world.



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It's time to commission a study

Moves by airlines to alter their payments to agents may have a profound effect on companies' travel bills. Amon Cohen reports on how the industry is reacting

If you have not renegotiated in commission are a direct being charged a handling fee with your business travel agent and preferred airlines in recent weeks, do so now. Big changes are convulsing corporate travel and are set

The transformation has been made by airlines cutting the level of commission they pay, especially in their home markets, to travel

British Airways became the latest carrier to do last month, reducing commission in the UK to 7 per cent. The previous level was 9 per cent for international flights and 7.5 per cent for domestic departures. There have been similar moves by airlines in the US, the Netherlands, SKr5m) are being charged a Germany and Scandinavia.

Corporate clients are cent for all the services they affected directly. Many formerly received free of larger companies have a charge. These could include management fee arrange- ticketing, provision of manment with their agent, agement data and ancillary whereby the agent passes on service such as passport and all commissions and bonuses visa procurement. The smallto the client in return for a est clients, with no require- point to 10 per cent. service and consultancy fee. ment for anything other

price rise. For clients who let their agent keep the commission - although normally some is passed on in the form of a rebate - there will be changes, too. Few agents earn as much as 2 per cent profit and cannot afford to absorb the cuts.

BTI Hogg Robinson is a typical example of how agents have reacted.

Its Scandinavian subsidtier system of charging clients. Larger customers are already on a fee basis or are being urged to switch to it. Medium-sized customers spend of SKr200,000 to subscription fee of 1.2 per

of SKr50 per transaction.

In the UK, where rebating has been much more common, Hogg Robinson is simply deducting 2 per cent of the rebate it passes on to its clients for BA sales. However, such clients are in the minority - 64 per cent of Hogg Robinson's turnover is now fee-based.

Whether on commission iary has introduced a three- fee, Hogg will attempt to claw back losses for customers by passing on new ied its cut in commission with an incentive scheme (with an annual airline that rewards agents for

incremental business. Meanwhile, other airlines have spotted an opportunity to take business off BA: British Midland is offering a 2 per cent bonus if agents increase their international volume by 20 per cent, while commission by 1 percentage

For such clients the cuts than an ordinary ticket, are grasping the chance to president of the Association

Hughes, managing director of P&O Business Travel and chairman of the UK's Guild of Business Travel Agents. "There is an element of BA losing business because clients feel they are being bullied into accepting this increase." he says.

"This is especially true beyond south-east England, where business travellers and rebate or management are usually most cost-conscious and have to change flights somewhere. They are happy to fly via another airport, such as Amsterdam, instead of using BA."

However, as Mr Hughes acknowledges, it might be difficult to switch a company's entire business from the home carrier. And the new incentives are not necessarily good news for corporate clients, who may have to be wary of agents steering travellers towards certain air-Emirates has increased its lines for their own good rather than that of their cus-

UK corporate clients are Earl Foster, the US-based

switch from BA, says Tony of Corporate Travel Executives, has been working in commissions for the past three years, latterly as director of global travel for Joseph Seagram. The soluappear completely. tion, he says, is to avoid Dan Brewin, BA's sales commissions all together. Companies need firstly to take control of the agency

> agent works for you by putting it on a fee-based relationship so that it is not dependent on commission. the picture anyway. Instead, says Mr Foster.

the client and agent should work together on more ambitious strategies for keeping

relationship. "Make sure the

Many agents are now willing to link their profit on an account to meeting commitments to service and saving. Clients should then turn attention to removing commission from their arrangements with airlines, negotiating net fares that are much simpler and therefore - in

Net fare deals are become ing increasingly common in the US and are just starting to happen in Europe, says Mr Foster, who believes commissions will eventually dis-

manager for the UK and Ireland, says: "In the longer term the probability is that percentage commissions are not the way forward. A fixed payment for the cost of a transaction would be, but that is not on my agenda at happy to see a business-to-business relationship develop between us and corporate clients, and for them to be recompensing

That is already happening in Scandinavia, where SAS and its rivals have cut commission for flights within the region to 5 per cent. It has also started offering net fares directly to larger clients in Norway, and is airing proposals to disband the commission system com-

Gatwick is UK's timely airport

Flight delays have continued to worsen at UK alsorts. In the third quarter of last year only 72 per cent of scheduled services got sway on times compared with 78 per cent in the corresponding period of 1996, and the average hold-up lengthened know 10 to 12 minutes. Travellers on domestic and Provinces. and European spures bore the brunt of this deterioration, sepathè Chijla Matter Ambority.

The sharing exception was London's Gatwick, which

the sname execution was Landon's Garwick, which has mounted a campaign aimed at abandon airlines with persistently near punctuality into improving their operational protectives. Though passengers are still at greater risk of being kept waiting there than at any other leading British airport some benefited from a fall in the number of flight's leaving late and a reduction in the

Safety move

Trivellers are now being matched with their begs on all US domests flights in a move to tighten security. The system which is designed to ensure no inggage is carried unless the passenger is on the aircraft, already provides blanker cover for international departures. But until the start of this year if was applied to only a limited number of flights within the US.

Roper Bring.

BT rings call for change

Hotels should show their telephone rates in rooms, just as they desimilate prices. Who says so? BT, which would like you to use its Chargetard But it's a thought, despite the company's ulteriar motive. The hotel industry has long been display for profiteering by marking up phone prices. And describers who spoke to 480 of them in 11 countries on BP's behalf "had the greatest difficulty finding anyhody able to quate call charges in advance". The company claims card users pay an average of "Sp per minute calling the UK from the ItS against \$2.30 if they did straight build in the helpown phone." Room Bray dial straight but on the bedroom phone". Roger Bray

Soffice in Big Apple
Work starts this hipping on the Softer's first hotel in New York Due to open in 2000 at a cost of some \$90m, it will have \$10 penns including 60 suttes on 30 floors. The hotel, which will also facu parate a fitness centre, will have a faculte on set Sirest between 5th and 6th.

Avenues in the heart of Manhattain.

**Roger Brown

Pubs earn Mickelin praise

dising standards in Britain's pubs are reflected in this year's lichelin Hotel and Restaurant tride to Great Britain and reland (£12.99). More than 140 pubs effering quality food are michaeld in the guide, and are indicated by a new beer glass and ork symbol. Although pubs have ropeared in the guide before, it is. lien own category. Of the more stablished awards, the Michelin tats show that culinary skills in the region remain strong. Four

The state of

Four Sensings In Lisbors
The Total Content of the Total Sensing group has taken over management of the Brits Carlom in Lisbon. The 285 from total which overheads the Tagus, has been undergoing a major feturus/ment, including the expansion of the health clab and business centre.

**Roger Brown

**Roger Brown

**Roger Brown

**The Content of the Roger Brown

**The Ro

According to Marketing 1.1 garm Don Peppers, recent research has absent the global online travel market is set to grow to almost \$7.500 by 2001.

regrow to against \$7.500 by 2001.

Peppers says that 'travel counseling is one of those services that is thisely suited for customisation and the creation of learning relationships,' and he believes the online travel service provides who will prosper will be those who saying size to one principles when dealing with their customers.

He says the travel redustry will be outledly. transformed" the the next few years by web based services such as Travelocity (www.travelocity.com), Microsoft's Expedia (www.expedia.com) and Preview Travel (www.previewtravel.com)/ Suphen McCoo

What is billed by the UK glangest internet based travel resource has been hundred by Kinap Online, the new medie arm of the large firsten publishing company.

The site, ways ADD breet com, has a wide range of features including acress to live flight arrival information for eight main tilk steports, supplied by BAA.

There are also limits to pages providing flight departure and expected arrival flights from attracting the world, while another section offers in the comparisons and ordering facilities for UK package holds and holds within the departure desires for UK package holds and holds within the departure desires from UK ports are also included.

Traveller's tales

Forget the loyalty and trimmings

Sensible planning can take some strain out of travelling. A high-mileage executive talks to lan MacDonald

Mention "travelling on business" to many people picture of someone travelling in style – in at least business class staying at some of the world's finest hotels, and generally enjoying the good things in life at someone else's expense.

In many cases, this may well be true. And for someone who spends an extraordinary amount of time in aircraft and working abroad, it is reasonable to assume that he or she would expect these "perks" as some compensation for having little home life.

Enter Grant McFarlane, a 28-year-old telecoms executive who is likely to turn up his nose at a proffered business class ticket, has no time for loyalty schemes, and actually enjoys travelling through Europe's busiest airport, London's 57.8m ssengers a year Heathrow

Mr McFarlane does not fit the template of traditional business traveller. Forget New York, Milan, Singapore or Sydney. You are far more likely to find this highly sociable Scot musing over a Bloody Mary about his latest scapade in remote Turkmenistan or Ethiopia.

"I tend to break the so-called 'rules' of busines travel," says Mr McFarlane, the business development manager of UK-based Case Technology, an independent wide area network (WAN) product manufacturer. "For one thing, I actually like to It's amazing how many people can sit next to a stranger for hours and barely say a word. In every person there is something I can learn...something I can try to understand, even if

"But if my aircraft neighbour is not one for time for that rare

After three years in his current job, which involves two to three weeks of travel most months of the year, Mr McFarlane has established some useful routines for

"I always try to fly economy," he says. "Because I tend to fly on Tuesdays and Thursdays - generally the quietest days for air travel I find that I can actually have more space in economy than in business. In business you might have a few more inches of leg room, but there's unlikely to be a spare seat next to you. Often Γve found myself the only occupant of a row of four economy seats - and that allows me to stretch out quite comfortably on a long

"I don't belong to any frequent flyer clubs. When I did, I found I - or rather the company - was paying expensive fares, flying on days and routes that didn't really suit me, just to collect the air miles."

For someone who visits

their views seem alien to me.

talking I'm happy to have a good read. Or I just use the commodity, thinking."

smoothing the way.

Grant McFarlane: 'It's easy to forget civility. I've learned to be more tolerant, to have more patience remote, developing regions, actually finding a flight can present a fistful of problems "Some of the places I go to are not served by lata

airlines, so arranging insurance can sometimes be difficult. Some of the former Soviet republics can make the hair on the back of your neck stand on end. Often there's no seat reservations, the aircraft can be, how shall we say, ancient. One trip in Crimea was particularly scary. We were in a very old, rickety bi-plane that was getting bounced around. The catering was a problem; the orange squash finished up

all over the place." London's Heathrow may not be many people's favourite airport, but for Mr McFarlane it offers most of what he could wish for. "It's fairly close to my home at Harrow on the Hill Lots of people complain about the traffic jams in the Heathrow area, but I now know all the back routes so I can be in and out very quickly. And it offers services to most places

in the world." And his least favourite airports? "Oh. Johannesburg's Jan Smuts. without a doubt. It's the world's worst...very inefficient." That criticism comes after not just a visit or two, but after having lived and worked in South Africa for three years before moving to his current Watford base north of London. "And I also hate any airport that either has

no trollies or not enough." But Mr McFarlane is quick to admire efficiency, and he praises the UK government's industry (DTI). The first-time traveller to conventional places can easily pick up a book or such like to learn about the place," he says, "But there simply are no books for many of the places I go to.

That's where the DTI comes

in. The people there are phenomenally helpful. I usually try to speak to the commercial manager for the area I'm going to visit They're a wonderful source of information, and they

help to fix up meetings, explain local customs." Being aware of local customs is a vital part of business diplomacy. "I remember being in Hungary once and saw an Englishman tao his hosts' beer glasses with his own as he said 'Cheers'. That was a mistake because that gesture reminds Hungarians of a 19th century dispute with Austria. It is the sort of

mistake that can lose a contract." Tips for fellow-travellers? Well, it's easy to forget civility. In some places, which perhaps are less efficient. I've learned to be more tolerant, to have more patience. It pays off.

I'm not very efficient. I try to take non-iron creasele clothes, but I never take enough shirts." How does this son of a

> Clydebank welder and absent Glasgow Rangers soccer supporter relax? "I don't really have any hobbies. When I get back from a trip I like to relax by seeing my father and my sister, to read, to listen rather than talk, which I do a lot of in trying to win contracts. And reading and occasionally writing -

frequently, is William Blake's Auguries of innocence. "I especially love the first four lines," he says: To see a world in a grain of And a heaven in a wild

poetry. His favourite, and

one he says he reads very

Hold infinity in the polm of your hand, And eternity in an hour. "That embodies "When it comes to packing everything to me," he says.





From March 29th this year, Singapore Airlines will fly three times a day, instead of twice, direct from London to Singapore every Friday, Saturday and Sunday. In addition, we will also fly direct from

Manchester to Singapore five times a week instead of four. The result will be that Singapore Airlines makes more direct flights a week from London and Manchester to Singapore than anyone else in

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